The General Property Tax

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THE GENERAL PROPERTY TAX: FINDINGS OF THE 1957 CENSUS OF GOVERNMENTS

BY FREDERICK L. BIRD

PUBLIC ADMINISTRATION SERVICE

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PREFACE

ONE OF THE MAJOR RESPONSIBILITIES of the 1957 Census of Governments was to satisfy the statutory provision that this periodic undertaking provide information on "tax valuations." Thus, in addition to assembling and reporting figures on property tax revenues, in conjunction with data on other revenue of governments, the Bureau of the Census carried out several related surveys pertaining to values on property for general property taxation as officially set in 1956—i.e., the valuations that substantially made up the base for property tax revenues of governments in fiscal 1957.

The results of those several surveys were published in Volume V of the 1957 Census of Governments, entitled *Taxable Property Values in the United States*. That report describes the sources and classification of the reported statistics, and indicates some of their characteristics and limitations, but it includes no interpretation of the findings.

Although the assessed valuation of taxable property provides the base for determining and legally limiting local taxing and borrowing power and is used extensively to measure local fiscal capacity and the need for state fiscal aid, there has been a lack of comparative information on such significant factors as the amounts and kinds of property taxed, the relation of assessed value to full market value of taxable property, and the quality of assessment administration.

The findings of the 1957 Census of Governments have met so incisively and cogently the need for such information as to illuminate, on a nationwide basis, as never before, the nature of the general property tax and its administration. Since the function of the Census was limited to the reporting of findings, this analysis undertakes to summarize these findings and to show how they relate to the financial position of local governments generally in the United States.

The surveys removed from obscurity, and placed on a comparable basis nationally, three kinds of information that are vital to the productivity, dependability, and equitable administration of the ad valorem tax on real estate. They determined, first, how the tax load is distributed among the major use classes of property. Second, they provided estimates on the relation between assessed and market value of taxable realty. Third, they threw light on the problems of local assessing and on the assessing standards that actual experience shows to be reasonably attainable. Recognizing that the property tax is primarily a locally administered, local tax, the Census presented all such information in a manner that serves locally useful purposes.

For the opportunity to prepare the present report, my gratefulness to the Bureau of the Census is very genuine. All of the statistical tables have been taken from, or compiled from, *Taxable Property Values in the United States,* and liberal use has been made of the commentary in that publication. The Bureau of the Census is in no way responsible, however, for this report's interpretations and opinions. For a vast expenditure of their time and patience in explaining the statistical methods and procedures of the surveys and sharing their special knowledge of the property tax, I am particularly indebted to Allen D. Manvel, chief, Governments Division, and William L. Day, formerly head of the Property Values Branch of the Governments Division, U. S. Bureau of the Census.

FREDERICK L. BIRD

January, 1960

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1

THE NATURE OF THE PROPERTY TAX

PROPERTY TAXES, as the Bureau of the Census defines them, are "taxes conditioned on ownership of property and measured by its value." The nature of these taxes may be identified further by noting the main steps in computing a tax bill. The general procedure is to list all taxable property in a taxing jurisdiction, determine its value as the basis for levying the tax, and ascertain the tax rate that, applied to the aggregate taxable value, will produce the amount of tax revenue required. Each property owner's tax is then determined by multiplying the taxable value of his property by the tax rate, expressed in mills or cents per dollar, or dollars per $100 or $1,000, of the valuation.

Although this identification is generally descriptive of a tax that is used almost universally by local governments in the United States, and is still used to some extent by state governments, it does not take account of the wide variations that exist in the classes of property taxed and in the methods and policies of administration employed. Any national survey of the property tax is faced with the fact that although this tax has certain common, nationwide features, it has evolved under individual state sponsorship within a federal system of government. Since each state system has its own special characteristics, there are as many property tax systems as there are states. Within each state, moreover, there tends to be diversity of policy and practice among the many local areas having primary responsibility for administering the tax.

EVOLUTION OF THE GENERAL PROPERTY TAX

The so-called general property tax, which is the main concern of this study, is no longer "general" in its original sense in most states; but the degree and methods of departure from this concept over the past several years have been anything but uniform among the states, thus contributing to the diversity referred to. During the Colonial period and the early years of the Republic, the property tax evolved as a selective tax, imposed only on enumerated classes of property and often with varying specified unit values and tax rates for the several classes. Early in the nineteenth century, however, the states began adopting the principle, usually as a constitutional provision, that all property, unless specifically exempt, must be included in the tax base and taxed uniformly within each taxing jurisdiction. By the Civil War period the general property tax, with its rules of universality and uniformity, had come into general acceptance.

Under the all-inclusive general property tax the base for taxation comprises two major categories, real property and personal property.[1] Real property consists of land and any structures or other improvements on it. Personal property includes two broad classes, tangibles and intangibles. Tangibles include such items as household and personal effects, inventories, fixtures, machinery and equipment of merchants and manufacturers, motor vehicles, and farm equipment,

[1] The distinction for tax purposes between real property and personal property in some respects is not uniform. For example, there are state-to-state differences, as defined by law or judicial interpretation, in the extent to which "fixtures" or factory machinery are classed under one or the other of these categories. Under the general property tax in its original form this distinction was of little consequence as the same tax rate applied to all property, but with a trend toward eliminating personal property from the tax base it has become more important.

livestock, and harvested crops; intangibles include money, bank deposits, stocks, bonds, mortgages, and other types of property that have value for exchange purposes rather than for actual use.

Even under its all-inclusive range, the general property tax has not applied to all property. Federal property, of course, is not taxable by the state and local governments. The states exempt from taxation their own property and that of their political subdivisions, but with certain limited exceptions. In a few instances, states have permitted local taxation of certain state property, and more commonly they have permitted municipalities to tax water supply and other similar properties within their boundaries that are owned by other municipalities. One increasingly large and valuable class of private property traditionally has been exempt from property taxes—the property of charitable, educational, and religious institutions.

Establishment of the broad concept of the general property tax brought complicated problems of administration and equity that have contributed over the past several years to narrowing the scope of the tax variously among the states. In the first place, the location and equitable valuation of all of the classes of property listed above was an assignment that no assessor could cope with. Some classes of tangible personal property and most classes of intangible personal property proved difficult to locate and therefore contributory to tax evasion; and some classes of personal property, even if identifiable, did not lend themselves to objective valuation. In the second place, the ease of evasion placed a premium on violating the tax law and caused injustice to taxpayers who were unable, or unwilling, to violate the law. The illogical grouping of intangibles with other classes of property for uniform treatment also opened the door to discriminatory double and multiple taxation.

The impossibilities and inequities of the all-inclusive general property tax have brought about a gradual transition to less universality and less uniformity, though the change has been retarded in some states by rigid constitutional restrictions. Two general procedures have been followed in narrowing the scope of the general property tax—differential treatment of various classes of property and total or partial exemption of some classes of property.

Differential Treatment

Differential treatment within the general property tax has been obtained in a few states by means of property classification under which the level of taxation in each taxing area varies for different types of property. This variation has been accomplished in one of two ways: by varying the tax rate for different classes of property, or by continuing the use of a uniform rate with the requirement that the taxable valuations for different classes of property be set at varying percentages of full value. In West Virginia, for example, the law groups taxable property into 4 classes and imposes maximum allowable over-all tax rates ranging from $0.50 to $2.00 per $100 of assessed valuation on the respective classes. In Minnesota there are 13 classes of real and tangible personal property, all taxed at the same rate but subject to varying levels of assessment ranging from 5 per cent to 50 per cent of "full and true value," which, in turn, is usually only a fraction of current market value.[2]

A majority of the states have secured differential treatment of the property tax by legally removing some classes of property from the coverage of the general property tax and making them subject to special property taxes under tax rates that are determined by general state law rather than by the general property tax rates set by the various local taxing areas. Ordinarily such rates are uniform on a statewide basis, either as a specified rate or as an average of the local general property tax rates within the state. This device is used rather extensively to attract "money and credits" and other intangibles to the tax rolls by special low-rate treatment; it is used also in a number of states for taxing motor vehicles and particular kinds of utility property.[3]

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[2] For a description of this notably complex classification system see Minnesota. Governor's Minnesota Tax Study Committee, *Report of the . . .* (St. Paul: The Author, 1956), pp. 145-48.

Tax Exemptions

The other means of narrowing the scope of the general property tax has been through full or partial exemption from property taxation of some classes of property, partly by law and partly by administrative practices that have gone far in making a legal fiction of some constitutional and statutory provisions. Over the years and in an increasing number of states the lawmakers, aided by the development of more effective types of taxation that could be used for replacement, have been extending exemptions to kinds of property that defied the assessors, invited evasion, or seemed better adapted to other forms of taxation. Nineteen states now exempt all or nearly all intangibles from both general and special property taxation. In many states tangible personal property not used for business purposes is entirely or largely exempt from property taxation and in some states similar treatment is given to certain or all classes of business personalty, agricultural implements, livestock, and harvested crops. The present-day scope of the general property tax, therefore, ranges legally from broad coverage of real property and tangible and intangible personal property in a few states, such as Illinois, to exemption of all classes except real property in Delaware, New York, and Pennsylvania.[4]

Further erosion of the general property tax has been occurring through partial exemption of certain classes of taxable property for a variety of social, economic, and political purposes. The most widespread partial exemption has been that on the real and personal property of veterans, constituting a sort of continuing bonus. Less widespread, but very conspicuous in a few states, have been homestead exemptions, ostensibly to encourage home ownership, and industrial exemptions, designed to stimulate industrial development.

In the continuing evolution from the general property tax to what is becoming predominantly a real property tax, administrative policy has been fully as influential as formal legal measures. Vast amounts of taxable personal property are escaping taxation, according to qualified observers, because of extralegal exemptions and extralegal differential treatment; large quantities of such property escape assessment entirely, and much that is assessed is valued at smaller fractions of full value than real property.[5] The average assessing organization is not equipped to do a careful job of personal property assessment and has to depend largely on the valuations reported by the property owners; and even a well-disposed property owner, when his instructions lack precision and the local assessing policy is one of indeterminate underassessment, "feels justified under these circumstances in signing a statement in which he places a low value upon his holdings."[6]

The trend, however, is not entirely in the direction of extralegal exemption of personal property. When assessing is well organized and the pressure for more revenues is strong, readily identifiable and assessable types of personalty, such as business tangibles, sometimes are required to carry more than their proportionate share of the tax load.[7]

[3] A summary of such special property taxes of state and local governments, as legally applicable in fiscal 1957, is provided by Table 23 of the U.S. Bureau of the Census, *Taxable Property Values in the United States* (Washington: U. S. Government Printing Office, 1959), 145 pp. (1957 Census of Governments, Vol. V).

[4] These 3 states, it should be noted, assess some kinds of machinery as real property and New York assesses special franchises of utilities. Pennsylvania has a special property tax on certain intangibles.

[5] The *Ninth Report* of the New Jersey Commission on State Tax Policy, for example, estimated that the 1957 assessed valuation of business tangibles was 13 per cent of full value whereas that of real property was 28 per cent of full value. New Jersey. Commission on State Tax Policy, *Ninth Report . . . the General Property Tax in 1958: Toward a Balanced Tax Structure . . .* (Trenton: The Author, 1958), 245 pp.

[6] Ronald B. Welch, "Better Assessment Administration Increases Revenue," *Municipal Finance,* XXVII, No. 2 (Nov. 1954), p. 72.

[7] A recent study of assessment practices in Detroit, for example, states that "the history of assessed valuations has been marked by a sharp increase in the portion of the tax base represented by personal property. In 1928, for example, when intangibles were still included, personal property represented 17.65% of the total tax base; in 1957 the ratio is 35.53%." Detroit. Committee on City Finances, *Summary Report* (Detroit: The Author, Nov. 1957), p. 69.

PROPERTY TAX ADMINISTRATION

In view of the fact that the general property tax is based on "somebody's judgment about property," the difficulty in administering the tax well and the tendency to administer it badly are readily understandable. Throughout the United States property assessment—the vital phase of administration that concerns the valuation of property for tax purposes—is primarily the responsibility of local government officials, subject in varying degree to state supervision. In the great majority of states, however, one or more classes of property subject to the general property tax are assessed by state agencies. State assessment applies most commonly to the operating property of railroads and other public utilities, but in a few states it covers mining property or other limited classes of real and personal property. Such taxable valuations are usually allocated among the local taxing areas where the properties are located for taxation at the local general property tax rates.

The local organization for assessment administration in the United States is a curious composite of venerable tradition and modern management. The responsibility for primary assessment of property is vested in many thousands of local assessing districts, contiguously arranged in some states but overlapping in others. While many of the larger districts are staffed with professional personnel using scientific assessment methods, the election of assessors is still widely popular and the vast majority of districts are so small that they must depend on the part-time services of lay assessors or boards of assessors. To supplement this primary assessment, all of the states have some kind of arrangement for administrative or judicial review and appeal, and most of the states provide in some degree for interdistrict equalization of assessments. Among the states and within individual states, property tax administration shows much of the lack of uniformity that is characteristic of the tax itself.

2

PROPERTY TAX REVENUES

THE PROPERTY TAX has long been losing position in the state-local tax structure. In 1957 it still accounted for 45 per cent of the combined tax revenues of state and local governments; but this proportion was measurably lower than the 49 per cent in the first postwar year, 1946, and markedly lower than the 78 per cent in 1927 when the yield of the property tax was approaching its predepression peak. If one goes back in the record another 25 years, in 1902 property taxes constituted more than one-half of the combined tax revenues of all governments, federal, state, and local.[1] The relationship of the revenue from property taxes to state and local tax revenue from all sources for selected years from 1927 to 1957 is shown in Table 1.

[1] U. S. Bureau of the Census, *Historical Summary of Governmental Finances in the United States* (Washington: U. S. Government Printing Office, 1959), 23 pp. (1957 Census of Governments, Vol. IV, No. 3).

As appears in Table A of the Appendix, of the total of $12,864 million property tax revenues in 1957, $12,443 million represented general property taxes and $421 million special property taxes. The latter, as described in Chapter 1, are ad valorem taxes levied on certain classes of property at rates determined by general state law rather than by the local budgeting authorities. Most commonly, they are levied at uniform statewide rates on utility properties or motor vehicles and at low, fixed rates on intangibles. In one-half of the states, again as shown in Table A, special property taxes are not used, or are negligible, with yields ranging from a few cents to $1 per capita. On the other hand, per capita yields ranging from $4 to $21 may be found in 11 states: Arizona, California, Colorado, Maine, Massachusetts, Michigan, New Hampshire, Ohio, Washington, Wisconsin, and Wyoming.

As a source of tax revenue for most state

TABLE 1

STATE AND LOCAL REVENUE FROM ALL TAXES AND FROM PROPERTY TAXES, AND PROPERTY TAXES AS A PERCENTAGE OF TOTAL TAX REVENUE, CONTINENTAL UNITED STATES, SELECTED YEARS, 1927-1957
(AMOUNTS IN MILLIONS OF DOLLARS)

Year	*State and Local Tax Revenue*		*State Tax Revenue*		*Local Tax Revenue*		*Property Taxes as a Percentage of Total Tax Revenue*		
	Total	*Property Taxes*	*Total*	*Property Taxes*	*Total*	*Property Taxes*	*State & Local*	*State*	*Local*
1957.....	28,817	12,864	14,531	479	14,286	12,385	44.6	3.3	86.7
1956.....	26,368	11,749	13,375	467	12,992	11,282	44.6	3.5	86.8
1954.....	22,067	9,967	11,089	391	10,978	9,577	45.2	3.5	87.2
1952.....	19,323	8,652	9,857	370	9,466	8,282	44.8	3.8	87.5
1950.....	15,914	7,349	7,930	307	7,984	7,042	46.2	3.9	88.2
1946.....	10,094	4,986	4,937	249	5,157	4,737	49.4	5.0	91.9
1940.....	7,810	4,430	3,313	260	4,497	4,170	56.7	7.8	92.7
1934.....	5,912	4,076	1,979	273	3,933	3,803	68.9	13.8	96.7
1927.....	6,087	4,730	1,608	370	4,479	4,360	77.7	23.0	97.3

Source: U.S. Bureau of the Census, *Historical Summary of Governmental Finances in the United States.* 1959. (1957 Census of Governments, Vol. IV, No. 3), Tables 4, 5, 6.

governments, the property tax has become relatively inconsequential. In 1927 it still supplied 23 per cent of all state tax revenues, although the newly developed highway tax revenues were already exceeding it in yield. By 1940, following a period in which personal income, general sales, alcoholic beverage, tobacco products, and other taxes had gained prominence variously in the state-purpose taxes of the states, the property tax had receded to 8 per cent of the state tax revenue total. In 1957 the property tax contributed only 3.3 per cent of this total.

For local governments generally, the property tax is still the dominant source of local tax revenue, although a few large local units have been able to develop productive individual income, sales, gross receipts, and other taxes. In 1957, 87 per cent of all local government tax revenue came from property taxes; percentages in 1946 and 1927 were 92 and 97, respectively.

The dependence of local governments on the property tax actually has declined more in recent years than the foregoing figures on tax revenues would appear to indicate. This fact is shown in Table 2 in which is presented the general revenue of local governments from various sources in 1957 and 1946.

In this 11-year period of rapidly expanding revenue needs, total general revenue rose 209 per cent while property tax revenues were rising 161 per cent, the latter source dropping from 58 per cent to 49 per cent of the total. A minor part of this change was caused by a sharp increase, percentagewise, in other local taxes; but the bulk of it was due to the local development of charges and other nontax revenue and to a large increase in intergovernmental revenue, mainly from the state governments. (General revenues, it should be noted, are revenues from general government sources. They do not include utility, liquor store, and insurance trust revenues. Such surplus utility revenues as may be used for general government purposes are not included in the totals.)

VARIATIONS AMONG THE STATES IN USE OF PROPERTY TAX

While the foregoing aggregate figures are illuminating as to the nationwide status of property tax revenues, they fail to throw much light on the state-to-state differences in the present use of this traditionally basic source of state and local taxes. A review of this situation in 1957 discloses an extraordinary divergence of policy among the states respecting the place that the property tax should occupy in the state-local tax structure.

TABLE 2

GENERAL REVENUE OF LOCAL GOVERNMENTS, CONTINENTAL UNITED STATES, BY SOURCE, AND PERCENTAGE INCREASE AND PER CENT OF TOTAL, 1957 AND 1946
(AMOUNTS IN MILLIONS OF DOLLARS)

Source	*Amount*		*Percentage Increase, 1946 to 1957*	*Per Cent of Total*	
	1957	*1946*		*1957*	*1946*
Total general revenue	25,406	8,227	209	100.0	100.0
Intergovernmental revenue					
From federal government	343	53	547	1.4	0.6
From state governments	7,196	2,092	244	28.3	25.4
General revenue from local sources	17,866	6,082	194	70.3	73.9
Taxes	14,286	5,157	177	56.2	62.7
Property	12,385	4,737	161	48.7	57.6
Individual income	191	33	479	0.8	0.4
Sales and gross receipts	1,031	183	463	4.1	2.2
Other, including licenses	679	204	233	2.7	2.5
Charges and miscellaneous	3,580	925	287	14.1	11.2

Source: U.S. Bureau of the Census, *Historical Summary of Governmental Finances in the United States*. 1959. (1957 Census of Governments, Vol. IV, No. 3), Table 6.
Note: Because of rounding of figures, the detail may not add exactly to the total.

TABLE 3

AMOUNT OF AND RANK IN PROPERTY TAX REVENUE PER CAPITA, AS A PERCENTAGE OF STATE AND LOCAL TAX REVENUE, AND PER $1,000 OF PERSONAL INCOME, BY STATE, 1957

State	Property Tax Revenue			State Rank in Property Tax Revenue		
	Per Capita	As a Percentage of All State and Local Tax Revenue	Per $1,000 of Personal Income	Per Capita	As a Percentage of All State and Local Tax Revenue	Per $1,000 of Personal Income
Continental United States	$ 75.54	44.6	$37.26	...	...	...
Alabama	20.45	20.2	15.50	49	49	48
Arizona	78.74	46.4	42.70	22	23	20
Arkansas	26.55	26.5	23.22	47	43	42
California	112.67	47.2	44.51	3	22	17
Colorado	95.97	50.8	47.80	10	14	12
Connecticut	101.85	50.0	36.38	6	17	26
Delaware	32.44	23.9	11.73	43	45	49
District of Columbia	64.35	36.8	25.26	30	31	38
Florida	56.12	35.4	31.40	33	34	32
Georgia	36.13	29.0	25.20	40	39	39
Idaho	78.07	50.2	48.28	23	16	11
Illinois	92.35	51.7	37.99	15	12	25
Indiana	77.82	54.9	38.50	24	8	23
Iowa	85.94	48.8	47.30	17	19	13
Kansas	101.81	58.0	56.01	7	6	4
Kentucky	38.77	36.3	28.28	38	32	35
Louisiana	35.39	21.8	22.59	41	48	44
Maine	74.91	50.0	44.86	26	18	16
Maryland	67.73	42.5	31.41	29	29	31
Massachusetts	122.28	58.0	51.95	1	7	6
Michigan	83.60	46.1	38.56	19	25	22
Minnesota	93.62	51.8	50.55	14	11	8
Mississippi	29.75	27.5	30.78	45	41	30
Missouri	57.98	44.4	29.76	32	27	33
Montana	109.49	58.3	58.17	5	4	3
Nebraska	97.95	70.0	53.31	9	1	5
Nevada	83.00	36.1	33.61	20	33	28
New Hampshire	95.42	62.8	51.34	11	3	7
New Jersey	112.92	64.0	45.02	2	2	15
New Mexico	36.84	23.4	21.41	39	46	45
New York	109.94	47.7	43.35	4	21	19
North Carolina	30.15	26.8	22.76	44	42	43
North Dakota	88.25	52.8	61.60	16	9	1
Ohio	73.20	48.0	32.48	27	20	29
Oklahoma	46.62	30.4	28.54	36	37	34
Oregon	85.08	42.4	43.81	18	30	18
Pennsylvania	53.85	33.4	25.42	35	35	37
Rhode Island	76.50	50.4	38.23	25	15	24
South Carolina	23.89	23.0	20.23	48	47	46
South Dakota	94.66	58.2	61.02	13	5	2
Tennessee	33.93	28.9	24.38	42	40	40
Texas	63.33	46.2	35.51	31	24	27
Utah	71.33	43.8	41.55	28	28	21
Vermont	78.85	45.0	46.60	21	26	14
Virginia	39.88	31.1	24.23	37	36	41
Washington	55.84	29.6	26.27	34	38	36
West Virginia	28.46	25.4	18.19	46	44	47
Wisconsin	95.05	51.8	49.49	12	10	9
Wyoming	98.33	51.4	48.40	8	13	10

Source: U. S. Bureau of the Census, *Compendium of Government Finances* (Washington: U. S. Government Printing Office, 1959), 194 pp. (1957 Census of Governments, Vol. III, No. 5).

Property tax revenues ranged from 70 per cent to 20 per cent of total state and local tax revenue in the 48 states and the District of Columbia, as shown in Table 3.

Three states stand out for the dominant position held by the property tax in their state-local revenue systems. In 1957 this tax accounted for 70 per cent of all tax revenues in Nebraska, 64 per cent in New Jersey, and 63 per cent in New Hampshire. In 15 other states the property tax provided one-half or more of all tax revenues; the ratio was 58 per cent for Kansas, Massachusetts, Montana, and South Dakota, 55 per cent for Indiana, and slightly lower for Colorado, Connecticut, Idaho, Illinois, Maine, Minnesota, North Dakota, Rhode Island, Wisconsin, and Wyoming. In only about half of the foregoing states is above-average dependence on property taxes for state purposes a material factor.

In the middle range of property tax dependence—42 per cent to 49 per cent as compared with 45 per cent for continental United States—there are 12 states: Arizona, California, Iowa, Maryland, Michigan, Missouri, New York, Ohio, Oregon, Texas, Utah, and Vermont, the lowest in this group being Oregon, with 42.4 per cent.

The remaining 18 states and the District of Columbia have reduced the property tax to a rather subordinate role in their tax structures, and some of these states have relegated it to a distinctly minor position. The District of Columbia obtained 37 per cent of its tax revenues from this source in 1957 and dependence on it was in the 30-36 per cent range in 6 states—Florida, Kentucky, Nevada, Oklahoma, Pennsylvania, and Virginia. In a dozen states, however, the ratio fell below 30 per cent. Those in this group with a property tax dependence of at least 25 per cent were Arkansas, Georgia, Mississippi, North Carolina, Tennessee, Washington, and West Virginia. Relying on property taxes for less than 25 per cent of their tax revenues were Alabama, Delaware, Louisiana, New Mexico, and South Carolina, the lowest ratios being those of Louisiana, 22 per cent, and Alabama, 20 per cent.

The tax policy that has lowered the property tax to a clearly secondary position in the state-local tax systems of nearly two-fifths of the states is largely regional in its scope, as it includes most of the southern and southwestern states; but it also is conspicuously evident in a scattering of other states, including Delaware, Nevada, Pennsylvania, Washington, and West Virginia.

This policy has been effectuated in various ways or combinations of ways. In some instances, drastic legal limitation of property tax rates, accompanied by property assessment at small fractions of full value, has placed a low ceiling on the availability of property taxes; in a few states, the subsidizing of home owners or new industries by property tax exemptions has brought a material narrowing of the property tax base; and a few states have taken over most of the responsibility for administering or financing the local administration of certain commonly local functions, such as schools and welfare, using for this purpose revenue from sources other than property taxation. In all of these states, the effect has been to remove the property tax in some degree from its position as the traditional "mainstay" of local government. The means of replacement have included, variously, the authorization of local non-property taxes, the development of local service charges, increases in state aid, and state assumption of certain formerly local functions of government.

THE RANGE IN PROPERTY TAX REVENUE PER CAPITA

The total of property tax revenues in the continental United States in 1957 amounted to $75.54 per capita. This measure of the use of the tax, applied to the individual states, discloses a range of from $122.28 to $20.45, with Rhode Island in the median position at $76.50.

Massachusetts, with property tax revenues of $122 per capita, six times the figure for the lowest ranking state, Alabama, holds top rank by a considerable margin. New Jersey and California follow with $113, and New York and Montana, with $110 and $109, respectively. Connecticut and Kansas, at $102, are the only other states

with property tax revenues of $100 or more per capita. A comparison with how these 7 states rank in dependence on property taxes, indicated in Table 3, brings out some arresting contrasts. In New Jersey, Montana, and Kansas, the correlation is very close. Massachusetts, however, ranks 7th in such dependence, whereas California, New York, and Connecticut are not much above average for the states in this respect.

Per capita tax revenues in 9 states, while under $100, are more than $10 above the median figure. These states, ranging downward in amounts, are: Wyoming, Nebraska, Colorado, New Hampshire, Wisconsin, South Dakota, Minnesota, Illinois, and North Dakota. The degree of correlation with dependence on property taxes is fairly close in 5 of these states, but in Nebraska, New Hampshire, South Dakota, and North Dakota the dependence ranking is materially higher than the per capita ranking.

Thirteen states fall broadly in a middle group as to property taxes per capita. While the range is from Iowa, ranking 17th with $86 per capita, to Maryland, ranking 29th with $68 per capita, the per capita figures for all of the states in this group deviate less than $10 from the median figure. In 4 of these states there is a conspicuous lack of correlation in per capita and dependence ranking. Oregon and Nevada, while ranking 18th and 20th on a per capita basis, rank 30th and 33rd on a dependence basis. On the other hand, Indiana and Rhode Island, which rank 24th and 25th on a per capita basis, rank 8th and 15th as to dependence.

Below this range, but with property taxes of more than $50 per capita, are the District of Columbia, $64, and Texas, Missouri, Florida, Washington, and Pennsylvania. All of this group with the exception of Missouri and Texas depend on property taxes for less than two-fifths of their state-local tax revenue.

For the 14 remaining states, property tax revenues per capita are $47 in Oklahoma; $40 in Virginia; $39 to $35 in Kentucky, New Mexico, Georgia, and Louisiana; $34 to $30 in Tennessee, Delaware, North Carolina, and Mississippi; and less than $30 in West Virginia, Arkansas, South Carolina, and, ranking 49th, Alabama, with $20. In all of these states, the property tax holds a relatively subordinate position in the state-local tax structure.

RELATION OF PROPERTY TAX REVENUE AND PERSONAL INCOME

While per capita figures are a useful measure of property tax use, they are not a good measure of the comparative property tax burden. More informative for this purpose is a comparison of the relation of property tax revenue to personal income. Property tax revenue in the continental United States in 1957 amounted to $37.26 per $1,000 of personal income. The range among the states, however, was from $61.60 in North Dakota to $11.73 in Delaware, as shown in the listing below:

State	*Property Tax Revenue Per $1,000 of Personal Income*
North Dakota	$61.60
South Dakota	61.02
Montana	58.17
Kansas	56.01
Nebraska	53.31
Massachusetts	51.95
New Hampshire	51.34
Minnesota	50.55
Wisconsin	49.49
Wyoming	48.40
Idaho	48.28
Colorado	47.80
Iowa	$47.30
Vermont	46.60
New Jersey	45.02
Maine	44.86
California	44.51
Oregon	43.81
New York	43.35
Arizona	42.70
Utah	41.55
Michigan	38.56
Indiana	38.50
Rhode Island	38.23
Illinois	37.99

State	Property Tax Revenue Per $1,000 of Personal Income
Connecticut	36.38
Texas	35.51
Nevada	33.61
Ohio	32.48
Mississippi	30.78
Maryland	31.41
Florida	31.40
Missouri	29.76
Oklahoma	28.54
Kentucky	28.28
Washington	26.27
Pennsylvania	25.42
District of Columbia	25.26
Georgia	25.20
Tennessee	24.38
Virginia	24.23
Arkansas	23.22
North Carolina	22.76
Louisiana	22.59
New Mexico	21.41
South Carolina	20.23
West Virginia	18.19
Alabama	15.50
Delaware	11.73

A number of pertinent features respecting variations in use of the property tax among the states appear in this property tax relationship to personal income. High taxes per capita, for example, lose some of their seemingly onerous position in states with relatively high personal incomes per capita. This is well illustrated in the instance of New Jersey, California, New York, and Connecticut, all among the highest 6 states on the basis of property taxes per capita but ranking 15th to 26th in the relation of property tax revenue to personal income. The data show, on the other hand, how a combination of very moderate income per capita and relatively high dependence on the property tax creates a top-ranking tax burden. North Dakota and South Dakota, with property taxes ranking 16th and 13th on a per capita basis, stand at the top of the list in the relationship to personal income.

The policy in a minority of the states of relegating property taxes to a secondary position in the state-local revenue structure is reflected clearly in the relation of property tax revenues to personal income. The result is particularly conspicuous in the wealthy state of Delaware, and also notable in the District of Columbia and in such states of substantial resources as Pennsylvania and Washington. Equally noteworthy, however, is the low relationship of property tax income to personal income in most of the states in the lower range of per capita income in the nation, likewise a reflection of property tax policy.

VARIATIONS IN STATE-PURPOSE USE OF THE PROPERTY TAX

In the aggregate, as has been noted, the states place little reliance on the property tax for state purposes, although there are some individual exceptions. The dollar amount of property tax revenue used for state purposes has not changed a great deal in a generation. It was $370 million in 1927, and after sliding off during the depression period it regained the 1927 level by 1952 and reached $479 million in 1957, when it represented only 3.3 per cent of the state tax revenue total.

In only 4 states, however, does this ratio represent closely the individual state relationship (Louisiana, Maryland, Missouri, and Utah). Twenty-two states have either abandoned the property tax entirely, or use it only negligibly, for state purposes; thus, there are 22 states in which the state-purpose use of the tax is above the national average (Table A). This last group includes 9 states in which the dependence ranges from 4.0 per cent to 5.9 per cent (Alabama, Idaho, Indiana, Michigan, Minnesota, North Dakota, Ohio, Texas, and Virginia) and 9 states where the dependence is moderately higher—6.0 per cent to 7.9 per cent (California, Colorado, Kansas, Kentucky, Nevada, New Hampshire, New Mexico, Washington, and Wisconsin). In about half of these 18 states the reliance is mainly or entirely on special property taxes. In 4 western mining and agricultural states, the property tax still plays a fairly substantial role in the state-purpose tax systems. The relation of this tax to

total state taxes in 1957 was 9.4 per cent in Montana, 13.7 per cent in Arizona, 18.0 per cent in Wyoming, and 32.3 per cent in Nebraska.

VARIATIONS IN LOCAL TAX SYSTEMS

The property tax accounted for 86.7 per cent of all local tax revenues in the United States in 1957, an indication that nonproperty taxes have not become a material factor in local tax systems on a nationwide basis. A state-by-state comparison, moreover, shows that in one-third of the states property taxes still account for more than 95 per cent of all local tax revenue, whereas in only 8 states and the District of Columbia have they fallen to less than 80 per cent of the total. This summary of local tax revenue refers to its composition rather than to its relation to total general local revenue, which is affected variously by nontax revenues such as charges and intergovernmental revenue.

Local taxes other than property taxes account for less than 3 per cent of local tax revenues in 7 states—Connecticut, Indiana, Iowa, Maine, Massachusetts, Michigan, and New Hampshire; for less than 5 per cent in 9 other states—Idaho, Kansas, Minnesota, North Dakota, Oregon, Rhode Island, Utah, Vermont, and Wisconsin. Most of these states place a well-above-average dependence on property taxes in their state-local tax systems; but in some of the states with a low dependence, particularly Delaware, North Carolina, and South Carolina, there has been little development of local nonproperty taxes.

On a statewide basis, local nonproperty taxes have had their most extensive development in Alabama, where they represented 41 per cent of local tax revenue in 1957, and in Florida, Louisiana, Nevada, New Mexico, New York, Pennsylvania, and Virginia, where they constituted from 21 to 25 per cent of local tax revenue. In all of these states except New York, property taxes occupy a relatively minor position in the state-local tax system. In New York, although property taxes still represent a slightly above-average portion of all state-local taxes, New York City levies general and selective sales, gross receipts, license, and other nonproperty taxes that accounted for 34 per cent of all its local taxes in 1957, and elsewhere in the state there is considerable use of a half-dozen "permissive" taxes, including the general sales tax. The development of local nonproperty taxes in the other 7 states has followed no uniform pattern. The general sales tax is the leading source in Louisiana and New Mexico, selective sales and license taxes are the main sources in Florida, Nevada, and Virginia, and occupation and business license taxes lead in Alabama. In Pennsylvania, where most classes of local governments are authorized by general law to use, within specified limits, any tax not levied by the state, payroll taxes are employed by Philadelphia and some 900 other local governmental units.

Replacement of the property tax by other forms of taxation has gone much farther in some local jurisdictions than can be indicated by any statewide evaluation. Through either necessity or preference, in several states where statutory authorization or home rule powers have permitted, some local governments are obtaining more revenue from other taxes than from property taxes. Of the 41 cities with populations of 250,000 or more in 1950, 5 are in this classification. Nonproperty taxes accounted, in 1957, for 71 per cent of all local taxes in Columbus and Toledo, Ohio, for 57 per cent in Louisville, Kentucky, and for 53 per cent in Philadelphia, all 4 of which use a payroll tax, and for 53 per cent in New Orleans, which uses a general sales tax and obtains substantial revenues from taxes on alcoholic beverages. Six other cities in this population range obtained from 47 per cent to 50 per cent of their tax revenues from nonproperty taxes in 1957—Birmingham, Alabama, Chicago, Illinois, Cincinnati, Ohio, Long Beach and San Diego, California, and Seattle, Washington.

While locally administered nonproperty taxes are a substantial source of revenue in some smaller municipalities and a minor source in many others, they are not a satisfactory major means of property tax replacement for local governments generally. The more productive kinds of nonproperty taxes are not well adapted to the

hodgepodge of small, variously overlapping jurisdictions that constitute a large part of the local government pattern.

Two other means of replacement that would leave with local governments some of the initiative in determination of tax policy are more promising. One is to make the county the agency for administering important local nonproperty taxes and apportioning the proceeds to the underlying local governments. A local general sales tax is being administered in this manner in three metropolitan counties in New York—Broome, Erie, and Monroe, of which Binghamton, Buffalo, and Rochester are the county seats. Certain selective sales taxes are being handled similarly in Jefferson County, Alabama (metropolitan Birmingham). The other means is to permit local supplementation of a state tax, the decision to use the tax being a local responsibility, but its administration a state responsibility. Such procedure is in operation on a broad scale for the general sales tax in California, Illinois, and Mississippi, and for the cigarette tax in Florida. In 1959, the state of Utah also authorized this approach for the general sales tax.

It seems clear, in any event, that the venture of local governments into major taxes other than the property tax calls for careful planning of well-integrated over-all revenue systems serving state-local financial needs.

3

ASSESSED VALUES FOR GENERAL PROPERTY TAXATION

THE GENERAL PROPERTY TAX IS based on the capital value of taxable real and personal property. The value of such property, as determined for tax purposes, is commonly designated the assessed value. The gross assessed value in the continental United States, as officially determined in 1956 for local general property taxation, totaled $280.4 billion. (Table B, Appendix) This total included $22.5 billion assessed by state agencies and $258.0 billion assessed locally in the nation's thousands of assessing districts.[1]

The gross figure of $280.4 billion needs further identification. It represents an aggregate of the officially reported assessed valuations of the 48 states and the District of Columbia. It does not include properties wholly exempted from property taxation and thus not ordinarily listed on assessment rolls, such properties comprising most public property, large amounts of property used for charitable, educational, and religious purposes, certain industrial property in a few states, and the types of personal property exempt variously by the states in their narrowing of the base for the general property tax. Also, it does not include kinds of property subject to special forms of property taxation.

On the other hand, the gross figure does include $8.0 billion of locally assessed property that is legally exempt from local general property taxes, leaving a net assessed valuation of $272.4 billion, distributed as shown in Table 4.

That the general property tax has become mainly a real property tax is evident in the fact that locally assessed real property alone constitutes three-fourths of the total, or $202.8 billion, whereas locally assessed personal property accounts for only 17 per cent, or $47.2 billion. How much additional realty is included in the 8 per cent of the total represented by state-assessed property cannot be ascertained because such valua-

[1] The statistics on assessed value in this chapter are entirely from the U. S. Bureau of the Census, *Taxable Property Values in the United States. 1959.* (1957 Census of Governments, Vol. V). All tables are taken from, condensed from, or based on the much more comprehensive statistical tables in that report, and liberal use has been made of the explanatory language of the report and of the preliminary reports of the Census—*Real Estate Assessments in the United States* (Washington: The Author, May 31, 1957), 14 pp. (1957 Census of Governments Advance Releases, No. 3) and *Property Tax Assessments in the United States* (Washington: The Author, Dec. 16, 1957), 40 pp. (1957 Census of Governments Advance Releases, No. 5).

With respect to the gross assessed value, the report notes that in certain states it was necessary to choose between alternate figures in determining the gross assessed value to be included in the national total, as follows:

(1) Where (as in Texas) the same property is differently valued for local taxation by various overlapping local governments, the valuation set for county taxation has been used.

(2) In Minnesota, Montana, and North Dakota, where local tax rolls show for each property both a "taxable value" and another valuation amount from which this is derived, the data used are those for "taxable value."

(3) For Illinois, where locally set valuations are subject to adjustment by state-determined factors before the application of tax rates, the state-equalized values have been used.

TABLE 4

AMOUNT AND PER CENT OF NET ASSESSED VALUATION, BY MAJOR CLASSES, CONTINENTAL UNITED STATES, 1956

Class of property	*Amount (billions)*	*Per Cent*
Assessed value subject to taxation, total	$272.4	100.0
State-assessed value, total	22.5	8.2
Railroads	6.5	2.4
Other public utilities	13.4	4.9
All other state-assessed property	2.6	0.9
Locally assessed value, total	250.0	91.8
Real property	202.8	74.4
Personal property	47.2	17.4

Source: U.S. Bureau of the Census, *Taxable Property Values in the United States.* 1959. (1957 Census of Governments, Vol. V), p. 3.

tions generally are not separated into real property and personal property components.

Because of the widespread practice of assessing property for tax purposes at much less than full value, the total of officially assessed values represents only a fraction of the current market value of all taxable property. Pointing up the disparity between assessed value and full market value is the fact that the 1956 assessed valuation of locally assessed real property in the United States was only $1,200 per capita and that of locally assessed personal property only $280 per capita. The rather nominal size of the latter figure is a reflection not merely of fractional assessment, but of the large amounts of personal property that are no longer subject to the general property tax and of the difficulty of discovering for assessment some classes of taxable personal property.

To obtain a reliable approximation of the full market value of all property assessed for local taxation was not a feasible undertaking, particularly because of the vagaries of personal property assessment; but the 1957 Census of Governments did conduct a nationwide survey of the relation of assessed values to sales prices of locally assessed real property sold in a 6-month period in 1956, and this survey makes possible an estimate of the sales value of all locally assessed real property in that year. The survey indicated a level of local real property assessment for the nation as a whole of about 30 per cent of sales value. (Table C, Appendix) If this ratio is applied to the assessed value of all locally assessed real property, the imputed market value of the total approaches $700 billion, as compared with the assessed value of $203 billion.

Before the procedures, findings, and limitations of this significant survey are reviewed, however, further consideration is needed of those aspects of assessed value that identify the present character of the general property tax.[2]

INTERSTATE DIFFERENCES IN COMPOSITION OF THE TAX BASE

A comparison of the components of the assessed valuations of the individual states reinforces the comments in Chapter 1 about the diversity that has developed among the states in the kinds of property covered by the general property tax and in the methods of its administration. This diversity has progressed so far, in fact, that no complete breakdown of the two basic classes of taxable property—realty and personalty—is available. Because state agencies in the great majority of the states assess some property, ordinarily without classifying it separately as real and personal property, the Census found it necessary to follow a three-way classification: (1) state-assessed property, (2) locally assessed real property, and (3) locally assessed personal property.

This classification provides the basis for the following summaries of state-by-state differences in assessment of the major classes of property. Excerpted or condensed from the reports of the 1957 Census of Governments, they present only a small portion of the vast amount of material on assessed valuations that was developed in the Census surveys. While they highlight the main findings of the surveys, the U.S. Bureau of the Census report, *Taxable Property Values in the United States,* should be referred to for comprehensive details.

State-Assessed Property

Of the national total assessed value, state-assessed values are 8 per cent; but among the in-

[2] The survey of assessment-sales ratios conducted by the Census is reviewed in Chapter 5.

dividual states the relationship is far from uniform. In 10 states there is no state assessment of property for local general property tax purposes. These states are Connecticut, Delaware, Maine, Massachusetts, Michigan, New Hampshire, Pennsylvania, Rhode Island, Vermont, and Wisconsin. At the other extreme, state assessments represent 25 per cent or more of the local tax base in 10 states—Arizona, Idaho, Louisiana, Mississippi, Nevada, New Mexico, Oklahoma, South Carolina, Utah, and Wyoming—with the proportion one-half or more in New Mexico and Wyoming. State assessments account for not more than 5 per cent in 9 states—Florida, Illinois, Minnesota, Nebraska, New Jersey, New York, North Carolina, South Dakota, and Texas. Total figures and figures for the individual states are given in Table B in the Appendix.

Of the state-assessed value of $22.5 billion, railroads account for 29 per cent, other public utilities for 60 per cent, and all other property for 11 per cent. Railroad property is centrally assessed for general property taxation in a large majority of states and other public utility property is thus assessed in a smaller majority of states. The diversity of treatment of these classes of property is reviewed in a subsequent section of this chapter. While the great majority of states have recognized the desirability of central assessment of complex railroad and other public utility property that extends beyond the borders of individual local taxing jurisdictions, only a minority have provided state assessment for general property taxation of other classes of property that pose special problems for local assessors. Numerous states, however, have taken over the assessment of some kinds of personal property for special property taxation. In those states in which state-assessed property represents an unusually high percentage of the local general property tax base, notably Arizona, New Mexico, Utah, and Wyoming, mineral producing properties are centrally assessed. Representative of other limited instances of state assessment for general property tax purposes are certain manufacturing industries in South Carolina and distilled spirits in Maryland and in Kentucky.

Locally Assessed Real Property

In 2 states, Delaware and Pennsylvania, locally assessed real property is the sole component of the general property tax base. In 3 other states, New York, Massachusetts, and New Hampshire, it constitutes over 90 per cent of the base. Thereafter this component ranges steadily downward, falling below 50 per cent in 11 states and reaching the low level of 32 per cent in South Carolina and Wyoming. Figures for all the states are given in Table B in the Appendix.

This extraordinary diversity among the states in dependence on locally assessed real property does not mean, it should be emphasized, that there is this much variation in reliance on taxes on real estate. There are unidentified amounts of real estate in state-assessed property, and, as noted above, this classification is nonexistent in some states but in the others ranges upward to over 50 per cent of the total assessed valuation. The widely varying dependence on locally assessed personal property, however, is a strongly influencing factor, as will be shown in the following section. To illustrate the effect of these factors, the 7 states with the lowest percentages of locally assessed real property are listed below, with the percentages for their state-assessed and personal property components:

	Locally Assessed Realty	*State Assessed Property*	*Locally Assessed Personalty*
South Carolina	32.3%	25.2%	42.5%
Wyoming	32.4	50.0	17.6
Mississippi	37.7	28.9	33.4
West Virginia	39.4	24.2	36.3
Arizona	40.7	37.4	21.7
New Mexico	41.4	51.3	7.2
Utah	41.5	42.0	16.6

All of these states have relatively high percentages of state-assessed property, and this group includes the 5 states that rank highest in this respect; but Mississippi, South Carolina, and West Virginia also have a far-above average percentage of locally assessed personal property.

The inability of the Census to obtain nationwide data on all assessed real property results in the lack of potentially valuable information. The

unavailability of such data in a large number of states is, in itself, a worthwhile indication of the interstate variations in this nationwide tax and its administration and of steps that the states might usefully take to facilitate the compilation of additional data in this field.

Locally Assessed Personal Property

The kinds of personal property legally subject to the general property tax differ widely among the states, ranging from complete coverage of tangibles and intangibles in Illinois to complete exemption in Delaware, New York, and Pennsylvania.[3] Between these extremes the situation varies widely. All tangible personal property may be subject to tax, nonbusiness tangibles may be partially or entirely exempt, agricultural property may be similarly treated, and in some instances there is exemption of certain personal property used in business and manufacturing. In a considerable number of states, motor vehicles and intangible personal property are entirely exempt from property taxation in favor of some other form of tax, or are subject to special rather than general property tax rates.

The position of locally assessed personal property in the general property tax bases of the states reflects the trend away from this component, through legislation or administrative decisions, in a majority of the states, and a still substantial dependence on it in a minority. Aside from the 3 states in which there is no general property taxation of personalty, 5 states place notably low dependence on locally assessed personalty in their general property tax valuation. This component is only 3.1 per cent of the total in Maryland and less than 10 per cent in Massachusetts, New Hampshire, New Mexico, and Tennessee. In 15 states, however, locally assessed personalty still constitutes one-fourth or more of the total, with the proportion running one-third or more in Georgia, Mississippi, North Carolina, South Carolina, and West Virginia, and reaching a maximum of 42.5 per cent in South Carolina.

[3] In these 3 states, however, some kinds of machinery are assessed as real property and New York taxes the special franchises of public utilities.

The foregoing general summary of differences among the general property tax bases of the states notes certain important variations and special features that call for more detailed review. In the following sections, particular attention is given to the comparative property tax treatment by the states of railroad and other public utility property, motor vehicles, and intangible personalty; to partial exemptions of taxable property; and to pertinent details with respect to the dominant component, locally assessed realty.

TREATMENT OF PARTICULAR KINDS OF PROPERTY

Railroad and Other Public Utility Property[4]

Railroads and other public utilities are subject variously to local general property taxes in the great majority of states; a few states, however, apply special property tax rates to some or all classes of utilities or exempt them completely from property taxes in favor of other forms of taxation. How to assess such property well for local general property tax purposes has long been a problem, partly because many local assessing districts are too small to equip themselves professionally for the job and partly because the operating property of major utilities tends to extend over more then one local taxing district. Most of the states that provide for general property taxation of public utilities have met this problem by assigning the assessment of some or all utility operating property to state agencies. Where this is done, each utility usually is assessed as a unit and the value of its operating property within the state is allocated among the local taxing areas in which the utility has such property, where it becomes a part of the local assessment rolls. Prop-

[4] This summary deals mainly with the major types of public utilities, disregarding the many variants involved in the taxation of other utility-type enterprises, such as motor carriers, pipelines, and the like. For a comprehensive tabulation covering the property-tax treatment of utility property, see National Association of Tax Administrators. Committee on Unit Valuation, *Appraisal of Railroad and Other Public Utility Property for Ad Valorem Tax Purposes* (Chicago: Federation of Tax Administrators, 1954), Appendix A-1.

erty owned by utilities but not used directly in their operations—such as real estate held for investment—ordinarily is assessed locally. In a few states, utility operating property is assessed locally if it lies within a single county, but is assessed centrally if it crosses county boundary lines.

Railroad property is subject to some kind of property tax in 44 states. The other 4 (Connecticut, Maine, Minnesota, and Pennsylvania) exempt railroads from property taxation in favor of other forms of taxation. In 36 of the 44 states, railroad property is centrally assessed for general property taxation, as indicated in Table B. In 3 of the 36 (New Jersey, New York, and Texas), however, this procedure applies only to limited kinds of railroad property; other kinds of such property are assessed locally or are taxed at special property tax rates. All railroad property not exempt is locally assessed for general property taxation in 3 states. In 5 of the 44 states (and in New Jersey

TABLE 5

ASSESSMENT OF RAILROADS AND OTHER PUBLIC UTILITIES IN STATES NOT USING CENTRALIZED ASSESSMENT FOR OPERATING UTILITY PROPERTY, 1956

	Railroads			*Other utilities*			
State	*Locally assessed for general property taxation*	*Subject to special property taxation*	*Exempt from property taxation*	*State*	*Locally assessed for general property taxation*	*Subject to special property taxation*	*Exempt from property taxation*
Connecticut			X	Arizona	X[d]		
Delaware	X			Connecticut	X[d]		X[e]
District of Columbia	X			Delaware	X		
				District of Columbia	X		
Maine			X	Florida	X		
Massachusetts	X			Illinois	X		
Michigan		X		Maine	X[d]		X[e]
				Massachusetts	X		
Minnesota			X	Michigan	X[d]	X[e]	
New Hampshire		X		Minnesota	X[f]		X[e]
New Jersey		X[a]		Nebraska	X[g]		
				New Hampshire	X[h]	X[i]	
New York	X[b]			New Jersey	X		
Pennsylvania			X				
Rhode Island	X			New York	X[b]		
				North Carolina	X[j]		
Texas	X[c]			Pennsylvania			X
Vermont		X		Rhode Island	X		
Virginia		X		Texas	X[c]		
Wisconsin		X		Vermont	X[d]		X[e]
				Wisconsin		X[d]	X[e]

Source: U.S. Bureau of the Census, Taxable Property Values in the United States. 1959. (1957 Census of Governments, Vol. V), p. 4.

[a] Classes I and III railroad property (main stem and personal property); all other railroad property (Class II) is State assessed for local general property taxation.

[b] Real property only; special franchises (tangible property of railroads and other utilities located on public streets and waterways, and the value of the right to use such public streets and waterways) are assessed by the State Board of Equalization and Assessment for local general property taxation.

[c] Except intangible values of railroads, pipelines and motor carriers, which are State assessed for general property taxation.

[d] Except telephone and telegraph companies.

[e] Telephone and telegraph companies.

[f] Except transmission and distribution lines in rural areas, and pipelines, which are State assessed, and except telephone and telegraph companies, which are exempt from property taxation.

[g] Except franchise value, which is State assessed for general property taxation.

[h] Except telephone and telegraph companies and franchise value of gas and electric utilities.

[i] Telephone and telegraph companies and franchise value of gas and electric utilities.

[j] Except pipelines, telephone and telegraph companies, and minor amounts of gas and electric utility property, which are State assessed for local general property taxation.

as to main stem and personal property only), railroad property is subject to special property taxation.

The operating property of public utilities other than railroads is subject entirely or partially to local general property taxation in 46 states and the District of Columbia. Four of these states exempt telephone and telegraph companies from all property taxation and 3 of them apply special property taxes to certain types of utilities, as shown in Table 5. Wisconsin applies special property taxes to all utilities except telephone and telegraph companies, which are exempt from property taxes, and Pennsylvania exempts all utility operating property from property taxes.

The assessing agency for nonrailroad utility property, as in the instance of railroad property, varies considerably among the states. Virtually all nonrailroad utility operating property is centrally assessed for local general property taxation in 29 states and locally assessed for this purpose in 14 states. New York and Texas, as in the case of railroad property, centrally assess limited kinds of property of such utilities, and several other states provide for general property tax assessment at the state level of certain types of nonrailroad utilities, including various minor types. Table 5 summarizes the treatment of utilities in the states that depart from the procedure of entirely state assessment.

Motor Vehicles

Motor vehicles are subject to general property taxation in 21 states, are exempt from property taxation in 19 states, and are taxed on an ad valorem basis but by special rather than general property tax rates in 8 states.

The 19 states completely exempting motor vehicles from property taxation are Delaware, Florida, Idaho, Iowa, Louisiana, Maryland, Michigan, Minnesota, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Vermont, and Wisconsin.

The assessed value of motor vehicles is a considerable factor in the assessed value of personal property in those states in which motor vehicles are subject to local general property taxation. In the 16 of the 21 states in this group that report such assessments separately, the assessed values of motor vehicles in 1956 were as follows (in millions of dollars):

State	*Assessed value (in millions)*
Alabama	$195
Connecticut	573
Georgia	333
Illinois	831
Kansas	279
Kentucky	236
Mississippi	161
Missouri	496
Montana	38
Nebraska	168
Nevada	40
North Carolina	556
South Carolina	92
Texas	269
Utah	68
West Virginia	170

The 8 states taxing motor vehicles at special property tax rates are Arizona, California, Colorado, Maine, Massachusetts, New Hampshire, Washington, and Wyoming. In California and Washington such taxes are collected by the states, with the proceeds shared locally. In the other 6 states they are collected locally, primarily for local government purposes.

Intangible Personal Property

This class of property, with its manifold and diverse subclassifications, has for years been a steadily diminishing factor in the general property tax. It has been removed legally from general property taxation in the great majority of states; and in the minority where it is still retained, its productivity has been limited by narrowing the types of property taxed, by property classification to permit use of low tax rates, and, extralegally, by administrative policy.

All or some kinds of intangibles are legally subject to local assessment for general property taxation in only 13 states—Arkansas, Georgia,

Illinois, Louisiana, Maine, Montana, New Mexico, North Dakota, South Carolina, Tennessee, Texas, West Virginia, and Wyoming. Georgia, it should be noted, taxes only bank shares as general property. In only 6 of these states are locally assessed values of intangible personalty separately reported. The reported total of $1.2 billion for 1956, with over 80 per cent of this amount accounted for by Illinois and West Virginia, was distributed as follows: Georgia, $57 million; Illinois, $433 million; Louisiana, $70 million; Montana, $14 million; Texas, $62 million; and West Virginia, $596 million.

Nineteen states and the District of Columbia exclude all, or nearly all, intangibles from property taxation. These States are: Alabama, Arizona, Colorado, Connecticut, Delaware, Idaho, Maryland, Massachusetts, Minnesota, Mississippi, Nevada, New Hampshire, New Jersey, New York, Oregon, Utah, Vermont, Washington, and Wisconsin.

The other 16 states, while they exclude intangibles from general property taxation, apply special tax rates to some kinds of intangible property. A 17th state, Georgia, belongs in this group except for its taxing of bank shares, noted above. These states, through the use of low special rates ranging from less than 1 mill to 5 mills on the dollar of assessed value, seek to avoid the obstacles and objections to assessing and taxing intangibles on a general property tax basis.[5]

Special property taxes on intangibles are administered variously at state and local levels, but their proceeds are used largely for local government purposes. Only in Florida, Kentucky, and Virginia are these taxes entirely for state purposes. They are state administered but locally shared in Indiana, Michigan, Missouri, and North Carolina. They are locally collected for local purposes, with state cooperation in administration in some instances, in California, Georgia, Iowa, Kansas, Nebraska, Oklahoma, Pennsylvania, Rhode Island, and South Dakota. In Ohio there is dual responsibility, with some special property taxes on intangibles state collected and some locally collected.

[5] See *Taxable Property Values in the United States, op. cit.*, Table 23, for detailed data on special property taxation.

PARTIAL EXEMPTIONS OF TAXABLE PROPERTY

Some classes of property are entirely excluded by law from local general property taxation, and some classes of taxable property are partially exempt by law from such taxation. This general distinction explains to some extent the nature of, and the difference between, the two sets of assessed value figures given in Table B—"Gross assessed value (before exemptions)" and "Assessed value subject to tax, after deduction of exemptions."

The gross assessed value does not include those classes of property that are legally exempt from general property taxation. The excluded list comprises most public property, kinds of property removed from the general property tax base in favor of alternative forms of taxation, and property of privately owned educational, philanthropic, and religious institutions and organizations enjoying subsidy exemptions. Also in the excluded list, however, is some exempt property belonging to classes of property that are otherwise taxable. This group comprises mainly new industrial plants to which some states—notably Alabama, Louisiana, Mississippi, and South Carolina—have accorded 5- or 10-year tax exemptions in an attempt to attract new industry; farm homestead improvements in North Dakota; and widespread partial exemptions of household effects and other tangible personal property. Inclusion in gross assessed value of the value of these partial exemptions would be logical and informative; but since the value amounts for such properties do not generally appear on assessment rolls, comprehensive data regarding them cannot readily be developed.

The gross assessed value as reported in the assessment rolls does include $8 billion representing the portions of certain classes of taxable property that are exempt from local general property taxation. The assessed value subject to tax is the amount to which tax rates apply after the deduction of this exempt value from the gross value. These partial exemptions are distributed in widely

varying amounts among 24 states, as shown below in Table 6. Homestead exemptions account for more than one-half of the $8 billion total, veterans' exemptions for about one-fourth, and miscellaneous other types of partial exemptions for the remainder. A predominant part of the total, nearly $7 billion, applies to real property.

Homestead exemptions, applicable only to real property, are a subsidy of home ownership. They are "predicated on the general assumption that home ownership is desirable and should be encouraged".[6] Homestead exemptions became prominent during the depression of the 1930's, following the collapse of a tremendous land boom. While they appear as partial exemptions in only 5 states, they total $4.3 billion and place large dents in the property tax bases of these states.[7]

These 5 states—Florida, Georgia, Louisiana, Mississippi, and Oklahoma—adopted homestead exemption provisions in the period 1934-1938, mainly by constitutional amendment. Florida provided such an exemption of $5,000 of assessed valuation for all taxes except those levied to service previously incurred debt. Georgia adopted an exemption of $2,000, applicable to taxes levied for state, county, and school district operating purposes but not applicable to city taxes. In neither Florida nor Georgia is there any specific provision for state reimbursement of local governments for loss in tax revenue. Louisiana's Constitution provides tax exemption for homesteads to $2,000 of assessed value, but the exemptions become effective only as the loss of revenue which would result is offset by funds available through the state's Property Tax Relief Fund. Mississippi, by statute, exempts property up to $5,000 of assessed value from payment of state taxes and of county, road district, and school district taxes for maintenance and current expenses; but the revenue loss to local units is covered by reimbursement from the state. Oklahoma's homestead exemption of $1,000 of assessed valuation applies to all local taxes except those for the service of previously incurred debt; the state has provided some replacement revenue for school districts.

All or most of the war veterans in 14 states are granted partial property tax exemptions as a kind of continuing bonus. Assessed values so exempted, totaling approximately $2.1 billion in 1956, comprise mainly real property, although the application generally is to both realty and personalty. Figures for the individual states are given in Table 6. Not included in this compilation are exemptions, involving relatively insignificant amounts, that are allowed in a number of other states for certain limited classes of veterans (disabled veterans, veterans of specific wars, and so forth).

Twelve states, as shown in Table 6, reported value figures for partial exemptions other than those for homesteads and veterans. These amounted to approximately $1.7 billion. By far the largest individual state item was $536 million of real property for New York, representing exemptions on state-aid housing, limited-dividend housing, and other real property. A number of states provide for partial or total exemption of household goods or other personal property, but the values thus exempt from taxation often are not reported and 1956 amounts were reported to the Bureau of the Census by only 9 states. (For the other states that grant such exemptions, the

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[6] James W. Martin, "General Theory of Tax Exemption," in Tax Policy League, *Tax Exemptions; Symposium . . . December 28-30, 1938, in Detroit, Michigan* (New York: The Author, 1939), p. 19.

[7] These exempt homestead values are deducted from recorded gross assessments before applying local tax rates to the remainder. Several provisions for homestead exemption are outside this classification. Iowa has a homestead tax credit plan under which property taxes of up to $62.50 annually (25 mills per dollar on up to $2,500 of assessed value) on homestead property are met from the State Homestead Tax Credit Fund, the qualified local taxpayers receiving a credit of the amount on their tax bills. No partial exemption appears on the assessment rolls; the full tax rate is applied to the full assessed value. Alabama, Minnesota, South Dakota, and Texas allow homestead exemptions against state property tax levies only; local tax rates are applied to the gross valuations. North Dakota, as noted previously, exempts all farm homestead improvements from property taxation; they are not valued for inclusion in the assessment rolls.

TABLE 6

PARTIAL EXEMPTIONS FROM LOCAL GENERAL PROPERTY TAXATION, 24 STATES, BY TYPE OF PROPERTY AND TYPE OF EXEMPTION, AND AS A PERCENTAGE OF TOTAL AND OF LOCALLY ASSESSED VALUE, 1956
(AMOUNTS IN MILLIONS OF DOLLARS)

State	Total Exemption	Type of Property		Type of Exemption			Partial Exemptions as a Percentage of	
		Real	Personal	Homestead	Veteran	Other	Gross Total Assessed Value	Gross Locally Assessed Value
24 States	8,048	6,966	1,082	4,290	2,086	1,672	xxx	xxx
Arizona	91	49	42	...	40	51	4.0	10.5
California	867	708	159	...	867	...	3.8	4.4
Colorado	63	...	63	...	...	63	2.0	2.3
Connecticut	214	158	56	...	214	...	3.1	3.1
Florida	2,388	2,388	...	2,388	...	...	34.5	35.2
Georgia	761	653	108	653	...	108	24.6	27.6
Idaho	6	6	...	...	...	6	1.0	1.3
Indiana	424	395	29	...	64	360	5.7	6.6
Iowa	110	87	23	...	110	...	2.3	2.6
Kansas	113	...	113	...	...	113	2.6	3.2
Louisiana	596	596	...	596	...	...	20.3	25.5
Maine	12	12	...	...	12	...	1.0	1.0
Mississippi	290	290	...	290	...	...	22.4	28.9
Nevada	35	27	8	...	35	...	5.6	7.5
New Hampshire	33	33	...	...	33	...	3.2	3.2
New Jersey	259	137	122	...	160	99	3.4	3.5
New Mexico	106	69	37	...	54	52	10.1	18.8
New York	932	932	...	...	396	536	2.6	2.7
North Carolina	217	...	217	...	...	217	3.2	3.4
Oklahoma	420	363	57	363	...	57	17.3	21.8
Oregon	16	12	4	...	16	...	0.8	0.9
Rhode Island	68	40	28	...	68	...	3.0	3.0
Washington	10	...	10	...	...	10	0.4	0.4
Wyoming	17	11	6	...	17	...	2.1	4.2

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States.* 1959 (1957 Census of Governments, Vol. V).

"gross assessed value" figures in Table B actually include, for this class of property, only the net values subject to tax.)

The effect of recorded partial exemptions on the general property tax bases of the 24 states involved is shown in Table 6. In the majority of these states it is not of material significance. In 9 states the exempt value ranges from 0.4 to 2.6 per cent and in 7 more the range is from 3.1 to 4.0 per cent. A more pronounced effect on the taxable valuation appears in 3 states, Indiana, Nevada, and New Mexico, with ratios ranging from 5.6 per cent to 10.1 per cent. It is in the 5 states with homestead exemptions, however, that the exemption policy makes real inroads on the tax base. Here the exempt value ranges upward from 17.3 per cent of the gross assessed value in Oklahoma to 34.5 per cent in Florida.

LOCALLY ASSESSED REAL PROPERTY

Locally assessed real property is the component of the general property tax base on which the generality of property taxpayers focus their most critical attention. High proportions of state-assessed property or efforts to maintain the productivity of taxes on personal property reduce dependence on locally assessed real property in some states, and homeowners are liberally subsidized by exemptions in a few states (as shown previously, the assessed value of locally assessed realty ranges downward from 100 per cent to 32 per cent of total assessed value among the states); but for each of many millions of property owners, the essence of the general property tax is the impact of the tax rate on what the local assessor determines to be the value of his real estate.

An analysis of the composition of locally assessed real property, made possible by the sampling studies of the 1957 Census of Governments, shows the relative dependence on the major use classes of such property and points up some of the reasons for the particularly widespread interest in the administration of this dominant sector of the general property tax.

The gross value of all locally assessed taxable real property, $209.8 billion, accounts, as previously noted, for three-fourths of all assessed values. About one-half (54.1 per cent) of this amount for locally assessed realty represents nonfarm residential property, and nearly one-half (45.4 per cent) represents single-family houses alone. Commercial and industrial properties account for a considerably lower percentage, 27.7, divided 16.6 per cent for commercial and 10.8 per cent for industrial, with a minor amount not segregated between the two classes. The assessed value of acreage and farm properties, 13.9 per cent of the locally assessed realty total, measurably exceeds that for industrial property. Vacant lots account for a mere 2.3 per cent, with a miscellaneous 2.1 per cent completing the total. Table 7 gives more data on this distribution by broad use classes of the gross assessed value of locally assessed realty.[8]

Local assessors have the seemingly interminable job, aside from such assessing of personal property as they may be required to do, of valuing for tax purposes approximately 61 million separate parcels of real property carried on assess-

[8] This distribution, it should be noted, relates to gross assessed values, which exceed by approximately $7 billion the value of locally assessed realty that is actually subject to local property taxation. The tax-exempt values accounting for the difference cannot be allocated among the particular use classes.

TABLE 7

AMOUNT AND PER CENT OF GROSS ASSESSED VALUE OF LOCALLY ASSESSED REAL ESTATE AND NUMBER AND PER CENT OF PROPERTIES, BY USE CLASS, CONTINENTAL UNITED STATES, 1956

Type of Property	*Gross Assessed Value*		*Properties*	
	Amount (billions)	*Per Cent*	*Number (thousands)*	*Per Cent*
Total	$209.8	100.0	61,158	100.0
Residential (nonfarm), total	113.5	54.1	30,924	50.6
Single-family houses only	95.1	45.4	29,973	49.0
Acreage and farms	29.1	13.9	14,185	23.2
Vacant lots	4.8	2.3	12,694	20.8
Commercial and industrial properties[a]	58.0	27.7	2,291	3.7
Commercial	34.8	16.6	1,942	3.2
Industrial	22.6	10.8	298	0.5
Other and unallocable	4.4	2.1	1,067	1.7

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States.* 1959 (1957 Census of Governments, Vol. V), p. 6.
Note: Because of rounding detail may not add to total.
[a] Includes minor amounts not segregated between commercial and industrial.

ment rolls in the United States. Of this total, about 31 million, or 51 per cent, are nonfarm residential properties. Additionally, they must assess over 14 million acreage and farm properties and nearly 13 million vacant lots, but their responsibility for commercial and industrial properties is limited to not greatly in excess of 2 million parcels.

More separate realty parcels are listed on the assessment rolls in California than in any other state—approximately 4.7 million. At the other extreme, only 103 thousand local realty assessments are recorded in Nevada.[9]

Use Classification by States

The composition of the locally assessed real property tax base—the relation of the assessed values of the several use classes of such property to the total assessed value of such property—varies widely among the states. In large part, these variations are due to differences in the economies of the states; but there are other influencing factors, such as lack of interstate uniformity in state assessment of property and the policy in some states of maintaining different levels of assessment for different classes of real property. While such factors place some limitations on interpreting the state-by-state variations, they do not lessen their significance. Table 8 gives the percentage distribution for each state and the District of Columbia.

Nonfarm residential property comprises 54.1 per cent of the assessed valuation of locally assessed real property nationally, but accounts for a considerably higher percentage in some of the urban states despite their concentrations of commercial and industrial property. Ten states and the District of Columbia show a fraction of over 60 per cent. The 4 states with the highest percentages of residential property, however, have special residential features, such as suburban service to other areas, popularity for recreation and retirement, and highly metropolitan character; they are Maryland, 69.0 per cent; Connecticut, 66.9 per cent; Florida, 65.7 per cent; and Rhode Island, 65.1 per cent. In the rural states, at the other extreme, nonfarm residential property becomes a minor factor. In 9 such states its proportion is less than 40 per cent, with South Dakota and North Dakota at the low end of the list at, respectively, 21.1 per cent and 18.6 per cent of the gross assessed value of all locally assessed real property.

The assessed value of single-family houses only is 45.4 percent of the national figure for locally assessed realty. This is well below the total nonfarm residential figure of 54.1 per cent, but in the great majority of states the two figures differ relatively little; the disparity nationally is caused by a few states with large concentrations of multiple dwellings, most notably New York, where the proportion is 58.4 per cent for all nonfarm residential property but only 26.5 per cent for single-family houses.

Acreage and farms, with an assessed value accounting for 13.9 per cent of the national figure for locally assessed realty, is the class of property offering the widest contrasts among the states. At the top of the range are 6 states with such property accounting for more than 50 per cent of locally assessed real estate: North Dakota, 70.2 per cent; South Dakota, 68.2 per cent; Iowa, 58.7 per cent; Nebraska, 56.6 per cent; Idaho, 55.2 per cent; and Kansas, 54.1 per cent. Far to the other extreme are Rhode Island, 1.4 per cent; Massachusetts, 2.0 per cent; New York, 2.1 per cent; and New Jersey, 2.7 per cent. Illustrating the effect of well-diversified resources is California's below-average 11.0 per cent in acreage and farms, although this state ranks first nationally in cash receipts from farm marketings.

Commercial and industrial *real* property holds a relatively minor position in the total of locally assessed real property, even in those states with intensive commercial and industrial development. In many states, however, the assessed valuation of commercial and industrial *personal* property is undoubtedly a considerable factor. Interstate comparability of the relative position of

[9] See Table 5 of *Taxable Property Values in the United States, op. cit.,* for the number of local realty assessments by states. Interstate comparability is considerably affected by differences in the extent to which real estate holdings are broken down into separate parcels or assessments in the local tax records.

TABLE 8

PERCENTAGE DISTRIBUTION OF THE GROSS ASSESSED VALUE OF LOCALLY ASSESSED TAXABLE REAL PROPERTY, BY TYPE, BY STATE, 1956

State	Total	Residential (Nonfarm)				Commercial and Industrial			Other and Unallocable
		Total	Single-Family Houses Only	Acreage and Farms	Vacant Lots	Total	Commercial	Industrial	
United States, total	100.0	54.1	45.4	13.9	2.3	27.7[a]	16.6	10.8	2.1[a]
Alabama	100.0	48.2	46.0	20.0	2.9	28.6	16.4	12.2	0.3
Arizona	100.0	62.3	59.9	14.8	3.2	19.1	13.5	5.6	0.5
Arkansas	100.0	40.6	39.7	35.2	2.4	18.4	14.4	4.1	3.2
California	100.0	54.6	50.9	11.0	2.9	31.4[a]	NA	NA	[a]
Colorado	100.0	51.4	45.6	20.1	3.0	24.4	17.3	7.1	1.0
Connecticut	100.0	66.9	63.3	4.0	1.3	27.0	18.6	8.3	0.8
Delaware	100.0	62.4	56.7	8.1	1.3	26.9	14.9	12.1	1.3
District of Columbia	100.0	61.4	44.4	...	4.3	34.2	NA	NA	0.1
Florida	100.0	65.7	61.2	7.3	4.5	21.8	18.7	3.1	0.6
Georgia	100.0	59.7	56.9	15.2	2.3	22.2	17.0	5.2	0.5
Idaho	100.0	25.2	24.6	55.2	1.3	18.1	14.7	3.4	0.3
Illinois	100.0	48.9	42.7	19.7	2.8	26.4	15.4	11.0	2.2
Indiana	100.0	52.4	51.2	24.2	2.4	20.2	12.1	8.1	0.7
Iowa	100.0	27.8	27.5	58.7	0.8	12.6	8.7	3.8	0.1
Kansas	100.0	32.0	30.7	54.1	1.4	12.0	8.5	3.5	0.4
Kentucky	100.0	47.9	45.5	27.6	1.4	20.5	13.1	7.5	2.4
Louisiana	100.0	54.1	52.8	14.1	2.7	29.0	15.3	13.7	0.1
Maine	100.0	54.6	49.8	11.1	1.3	28.0	16.6	11.4	5.1
Maryland	100.0	69.0	64.3	8.5	2.1	20.2	13.8	6.4	0.2
Massachusetts	100.0	64.6	55.4	2.0	1.7	30.8	21.1	9.6	0.8
Michigan	100.0	58.3	55.9	9.9	2.4	29.2	15.7	13.5	0.1
Minnesota	100.0	37.0	34.3	27.9	1.6	33.2	17.8	15.5	0.2
Mississippi	100.0	42.2	41.6	39.5	2.1	16.1	13.5	2.7	0.1
Missouri	100.0	48.0	44.6	22.0	1.8	26.5	17.8	8.7	1.6
Montana	100.0	34.6	33.8	36.8	0.9	26.5	13.6	12.9	1.3
Nebraska	100.0	30.1	29.3	56.6	1.0	12.2	10.7	1.5	0.1
Nevada	100.0	43.0	41.4	16.4	3.4	37.1[a]	NA	NA	[a]
New Hampshire	100.0	55.5	53.3	7.8	1.5	34.4	19.9	14.5	0.9
New Jersey	100.0	61.7	50.3	2.7	2.7	32.3	19.4	13.0	0.5
New Mexico	100.0	58.5	58.1	25.8	2.4	13.1	12.0	1.0	0.2
New York	100.0	58.4	26.5	2.1	1.9	37.1	19.4	17.7	0.5
North Carolina	100.0	42.6	41.2	21.3	1.9	29.3	17.1	12.2	4.9
North Dakota	100.0	18.6	18.1	70.2	1.2	9.4	8.4	1.0	0.4
Ohio	100.0	59.4	55.6	11.8	2.7	25.7	15.1	10.6	0.4
Oklahoma	100.0	48.7	47.7	32.2	1.7	17.2	14.6	2.6	0.3
Oregon	100.0	46.3	43.3	28.5	2.3	22.2	18.2	4.1	0.6
Pennsylvania	100.0	61.2	55.7	5.6	1.7	29.2	16.9	12.4	2.2[b]
Rhode Island	100.0	65.1	63.3	1.4	3.8	27.7	13.8	13.9	2.1
South Carolina	100.0	45.4	44.0	32.4	2.3	18.9	11.3	7.3	1.4
South Dakota	100.0	21.1	20.9	68.2	1.0	9.5	8.8	0.7	0.2
Tennessee	100.0	52.1	48.9	19.7	2.6	25.1	17.6	7.5	0.5
Texas	100.0	30.6	30.0	16.3	1.8	17.9	10.8	7.1	33.2[c]
Utah	100.0	56.3	53.8	19.5	2.7	20.5	14.1	6.4	1.0
Vermont	100.0	49.6	44.6	17.8	0.6	31.8	15.3	16.4	[d]
Virginia	100.0	62.4	55.9	13.6	3.1	20.6	15.6	5.0	0.3
Washington	100.0	53.0	50.2	20.3	3.1	23.2	15.6	7.6	0.5
West Virginia	100.0	47.6	45.5	20.0	2.8	28.5	13.4	15.1	1.0
Wisconsin	100.0	49.2	47.6	20.6	1.3	28.2	16.0	12.3	0.7
Wyoming	100.0	41.5	39.2	37.7	1.1	19.2	14.0	5.3	[d]

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States.* 1959 (1957 Census of Governments, Vol. V), p. 25.

NA Signifies distribution not available; estimates for these items are, however, included in column totals.

[a] "Total commercial and industrial" includes, for California and Nevada, properties not allocable by type—principally separately assessed mineral rights.

[b] Principally unclassified properties that are believed to be either commercial or industrial.

[c] Principally separately assessed mineral rights.

[d] Less than 0.05 per cent.

the local real property assessments of such property, moreover, is obscured by differences among the states in the kinds and amounts of property that are state-assessed and in the classification of certain machinery and fixtures as real or personal property. With these reservations, certain features of assessed value may be noted.

The relation of assessed values of commercial property to the total assessed value of locally assessed realty shows the narrowest range among the major use classes of property. For the great majority of states this range is from 12 to 19 per cent, but in 4 states it is slightly higher and in 7 states, mostly rural in character, it is measurably lower. Even in the most heavily industrialized states, industrial realty accounts for only a relatively minor percentage of the total assessed value of locally assessed realty. The highest ratios are: New York, 17.7 per cent; Vermont, 16.4 per cent; Minnesota, 15.5 per cent; and West Virginia, 15.1 per cent.

The assessed value of vacant lots supplies a very minor part of the total local assessed value of realty—2.3 per cent nationally, but ranging among the states from 0.6 per cent in Vermont to 4.5 per cent in Florida.

4

PROBLEMS OF ASSESSMENT ADMINISTRATION

How to assess property on an equitable basis has been the biggest problem of property tax administration over the long period of development of this tax in the United States. Colonial property owners complained about unequal assessments,[1] and that grounds for complaint still exist is indicated by recent findings and reports of state tax commissions and tax study commissions throughout the country. Quite typical is the statement in the 1953 Report of the New Jersey Commission on State Tax Policy that:

> This study of the general property tax touches upon the most sensitive issues of State and local government. It was undertaken because of a long-held belief that property valuations and assessments were marred by the grossest inequities. The study demonstrates and confirms this belief; . . .[2]

A tax that "lies at the very heart of independent and responsible self-government at the local level"[3] and is peculiarly suited to the needs of local government must be safeguarded by assessment administration that treats all taxpayers fairly and without discrimination. The health and progress of the economic base on which communities depend, in fact, are sensitive to discriminatory assessment practices. The necessity for equitable assessment administration has been well expressed by one authority as follows:

> Uniformity in assessments . . . is essential to the continued success of our democratic system of government. Local government, the bulwark of our democratic system, cannot be considered on a sound financial basis unless the cost is equitably distributed among its taxpayers. Uniformity and equality are also essential in an economic system of free enterprise and fair competition. The tax cost is a substantial item in the overhead of commercial and industrial organizations. If the cost is not equitably distributed, it disturbs the economic structure of our society. If a business concern could count on its assessment and its competitors' assessments always being on a sound and equal basis, it could better plan a sound future program.[4]

There has been widespread intensification of effort in recent years to provide adequate assessing standards and procedures, but obstacles to successful achievement are numerous and perplexing, and progress has been uneven. Among the findings of the 1957 Census of Governments are some that disclose the character and magnitude of as-

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[1] A petition to the Governor of the Colonial Assembly of the Colony of New York in 1692, for example, urged ". . . that there may be a certain method for the equal and proportionable assessing of subsidies, We doe pray his Excell. would appoint Commissioners in each respective County for the making of an Estimate of their Estates, that for the future there may not be such uncertainties." Cited in Frederick D. Bidwell, *Taxation in New York State* (Albany: J. B. Lyon Co., 1918), pp. 12-13.

[2] New Jersey. Commission on State Tax Policy, *Sixth Report . . . The General Property Tax in New Jersey: A Century of Inequities . . .* (Trenton: The Author, 1953), p. ix.

[3] Governor's Minnesota Tax Study Committee, *op. cit.*, p. 568.

[4] Clifford Goes, "Appraisals," in National Tax Association, *Proceedings of the Forty-first Annual Conference on Taxation . . . Denver, Colorado, October 4-7, 1948* (Sacramento, Calif.: The Author, 1948), p. 149.

sessment administration problems throughout the United States and show, also, in the specific area of residential property assessment, the degree of equality in assessment that appears reasonably attainable in the light of what certain taxing districts already have accomplished.

THE FUNCTION OF THE ASSESSOR

The function of the assessor, after completing the important task of locating and listing all taxable property, is to determine its value, according to a uniform standard, so that each taxpayer in a given taxing district will contribute to the cost of government in proportion to the value of his property. In view of the complexity of the job, if the assessor can obtain a reasonable approximation of such equality in assessment he meets satisfactorily the requirements of equity.

The question arises immediately as to which, among the various standards of value, the assessor shall apply. The language of the property tax laws of the states is neither uniform nor clear on this basic consideration. They use such varying terms as full value, true value, fair value, fair market value, true cash value, and fair cash value; but the generally accepted standard has come to be that of market value or exchange value. The courts have contributed to clarification of this standard, though not always so helpfully as might be desired. For the development of "a clearer definition of the concept of taxable value than that found in any law, or in any single judicial decision,"[5] as one authority points out, dependence has been largely on administrative regulations formulated by certain state tax commissions and the methods of assessing evolved by professional assessors in many cities. This definition has been stated as follows:

> The taxable value of any piece of property is the probable price at which it would have been sold, had it been sold, on the taxing date at a sale between a willing buyer able but not compelled to buy, and a willing seller able but not compelled to sell, if both buyer and seller had been fully conversant with the property and with current public opinion concerning prices in general.[6]

The assessor's determination of market value, under such a definition, is relatively simple for those classes of personal property that have a reasonably standard and well-defined market, such as commodities that are the subjects of nationwide trade; but it is not simple for other kinds of personalty where, for example, there has been depreciation or obsolescence and no standard current market price exists. With respect to real property, which makes up the bulk of all taxable property, a reasonable determination of market value demands the use of carefully devised methods and procedures, including consideration of sales price.

Sales prices of real estate, carefully screened to exclude transactions other than open market sales between willing buyers and willing sellers, provide a good measure of the market worth of the transferred properties; but assessment specialists hold that it is not necessarily a precise measure because of the incidental or temporary considerations that may influence some of the sales prices. According to one experienced assessor, ". . . Under ideal conditions, market price and market value would be the same. But when economic conditions are unsettled, when there is no market, or when the relationship of supply and demand is substantially off balance, there may be, and often is, an appreciable difference between them. . . ."[7]

The area in which sales prices can be a direct measure of market worth is restricted by the facts that the real estate market is primarily a local market, that transactions are confined mainly to certain kinds of property, and that only small percentages of such kinds of property normally change hands in any year. To the extent that they are reasonably representative, however, sales prices within any class of property are a useful guide to the market value of the other properties of similar classification. But since the transferred properties are not likely to be typical of all types, ages, and conditions of such other properties in

[5] Philip H. Cornick, in A. E. Buck and Others, *Municipal Finance* (New York: Macmillan Co., 1926), p. 313.

[6] *Ibid.*, p. 313.

[7] Bert L. Zuver, "Basic Assessment Policy," *Appraisal Journal*, XXI, No. 1 (Jan. 1953), 114.

the area, sales prices need supplementing by other methods of analysis.

Sales price data, moreover, are much more useful in the assessment of some classes of property than of others. They are likely to be more representative, for example, for single-family houses. In the instance of certain classes of real estate, such as industrial property, sales may be both infrequent and unrepresentative. There are special situations, moreover, in which neither sales prices nor any other assessing tool is of much help to the assessor. Some irremovable improvements, for example, have been constructed for special purposes and therefore have a market value conditioned on how well they serve these purposes or can be adapted to other uses for which there is an effective demand at the same location. Illustrative of these problem situations would be an outmoded, multistoried factory building or a passenger station of a railroad that had abandoned passenger service.

An entire class of such property that perplexes assessors is the old, well preserved estate-type houses, still exclusively zoned, for which there is virtually no market. About them, one administrator comments feelingly:

> Mansions are frequently the materialized dreams of their wealthy owner-builders (nightmares, however, for the assessor), which range from miniature replicas of King Arthur's castle at Camelot to Brobdingnagian monstrosities combining features of Gothic, French Renaissance, Tudor and Byzantine architecture. . . . Monumental residences are hardly more disposable than would be an elaborate tombstone inscribed with the name and crowned with the family crest of the owner-builder.[8]

That there are some 61 million parcels of taxable real property, as well as vast amounts of taxable personal property, in the United States, emphasizes the magnitude of the assessing function. The function of listing and assessing personalty ranges from being no problem in a few states that have exempted from general property taxation all or most kinds of such property, to being a problem of great futility in some states that still attempt to tax classes of personalty that do not lend themselves to effective assessment. Real property, which is the main object of local assessment in all states, exists in a multitude of kinds of land and improvements and for a multitude of purposes, all of which involve determinations of market value; and market value, in turn, is a constantly changing, rather than a static, figure.

Whether the assessor meets his responsibility by guessing, by copying last year's assessment roll, or by applying objective appraisal methods depends largely on his training and the kind of organization and assessing aids he has at his disposal. It is somewhat reassuring, in view of the complexities of assessing, that competent, well-trained assessors have long been developing objective assessment standards and employing a variety of effective analytical tools. For even a well equipped professional assessor, however, assessing cannot be entirely an objective process; there is still a wide range in which he must use his judgment. For example, houses of the same size, type of construction, and age, located on similar sized lots, may vary in market value because of improving or deteriorating neighborhoods, condition of their upkeep, or location with respect to schools, bus lines, view, smog, noise, or other influences. Many of the environmental conditions that affect market value may change, either suddenly or gradually, after a property has been placed on the assessment roll. Most assessing organizations are not sufficiently well staffed to keep abreast of all of the foregoing and other factors, and, in any event, the qualitative judgments called for can have no mathematical precision.

The defects of assessment administration center mainly in unequal assessment and underassessment. They affect the individual taxpayer both directly and indirectly. He is concerned primarily with equality of assessment within his own taxing district, but he may be affected also by the manner in which property is assessed in the other taxing districts of the state. Because of the inherent difficulties in determining precisely the

[8] Albert E. Champney, director, Wayne County Bureau of Taxation, Detroit, in "Obsolete Mansions," *Assessors' News Letter* (National Association of Assessing Officers), XX, No. 7 (July 1954), 50-51.

market value of most classes of property, the attainment of absolute equality of assessment throughout a local assessing area is not feasible; but the taxpayer is entitled to a reasonable approximation of equality. Underassessment, the policy of assessing at only a fraction of the standard established by law, is a defect that may be as disturbing in some respects as unequal assessment.

THE PROBLEM OF UNEQUAL ASSESSMENT

The general property tax laws of the great majority of the states require assessment at full value, but a few provide for use of a fraction of full value, or for different fractions for different classes of property, or for some local determination of the fraction to be used. Within this framework, all states require uniformity of assessment.

So long as all taxable property within a single assessing district is assessed at the same ratio to full value, the taxpayers may be said, except for certain qualifications noted later, to receive equality of treatment irrespective of whether all property is underassessed or overassessed, i.e., assessed below or above the level of assessment established by law. In other words, there is intra-area equality of assessment. If, however, one dwelling in the district is assessed at 20 per cent of full value while another is assessed at 50 per cent, the bias in favor of the former is immediately evident, even though the latter is assessed at much less than the full-value standard set by law. Similar inequality exists when there is discrimination among classes of property, with industrial property, for example, assessed at a higher or lower ratio to full value than residential property. This type of discrimination is likely to occur, unless specially guarded against by law and administration, when railroad and other utility property is centrally assessed by the state. The state assessing agency may be guided by the basis of assessment dictated by the property tax law, regardless of the varying degrees of underassessment practiced by the local taxing districts.

The following tabulation illustrates the inequality of treatment caused by assessing at different ratios of full value in the same taxing district and also the equality that results from the use of uniform ratios, regardless of their relation to full value. Properties A, B, and C have the same full or true value and pay a total of $1,800 in taxes, but since they are assessed at widely varying ratios to full value they pay individually a tax ranging from $300 to $975. But if their assessments are equalized, whether at their existing average ratio of 40 per cent or at full value, each property will then pay a tax of $600.

	Property A	*Property B*	*Property C*	*Total*
Unequalized Basis				
Assessed valuation	$ 4,000	$ 7,000	$13,000	$24,000
Assessment ratio	20%	35%	65%	
Tax at $7.50 per $100	300	525	975	1,800
Equalized on 40% Basis				
Assessed valuation	$ 8,000	$ 8,000	$ 8,000	$24,000
Tax at $7.50 per $100	600	600	600	1,800
Equalized on 100% Basis				
Assessed valuation	$20,000	$20,000	$20,000	$60,000
Tax at $3.00 per $100	600	600	600	1,800

A not uncommon situation is to find property both unequally assessed and underassessed. This long created a dilemma for the courts. When the state constitution and tax laws require assessment at full value and also require equality of assessment, what should be the position of the court when a taxpayer whose property is assessed

at, for example, 80 per cent of full value, while the general level of assessment is 40 per cent of full value, contests his assessment? For years the state courts held that the taxpayer's only remedy was to secure an increase in the level of assessment of the other property; and they even went so far as to rule that since the constitution required assessors to value property at true value, it was beyond the power of the courts and the legislature to provide a remedy for a taxpayer whose property, although assessed at less than true value, was discriminated against because the generality of property in the district was assessed at a still lower ratio.[9]

The federal courts, however, recognized that the proposed remedy was "utterly impossible" for the taxpayer to use, held that substantial and intentional discrimination was a violation of the due process clause of the federal Constitution,[10] and ruled, as in the Sioux City Bridge Company case, that the taxpayer's right is to have his assessment reduced to the percentage of true value at which others are taxed, on the principle that "where it is impossible to secure both the standard of the true value, and the uniformity and equality required by law, the latter requirement is to be preferred as the just and ultimate purpose of the law."

This judicial remedy for unequal assessment, because of the high cost of developing evidence and supporting litigation, is not actually available to the average taxpayer. Furthermore, the courts require more than "mere errors of judgment" to support a claim of discrimination. The fact that a system of taxation operates unequally because of incompetent administration does not necessarily make it repugnant to the equal protection clause of the Fourteenth Amendment.

Chapter 6 reviews the findings of the 1957 Census of Governments respecting the degree of intra-area uniformity of assessment in the United States.

Interarea, as well as intra-area, uniformity of assessment is important, for various reasons, in most of the states. One reason arises from the use of local assessed valuations as tax bases by larger taxing areas within which the local assessing areas are located. In some states, counties and large special districts, instead of doing their own assessing, use the valuations set by the cities and towns within their boundaries. States that still levy property taxes base them on the local assessed valuations. Three municipalities in a county, for example, may each have achieved intra-area uniformity, but have done this on assessment levels of 20 per cent, 40 per cent, and 60 per cent, respectively, of full value. The result clearly is inequality for the taxpayers in the payment of county and state taxes unless some effective means of interarea equalization has been developed.

Other inequalities may be created by lack of interarea uniformity of assessment. The great majority of states centrally assess some kinds of property for local taxation at local tax rates, but often are unable, or do not attempt, to adjust these assessed values to widely varying levels of local assessment. In many states, the assessed valuations in local taxing areas are used in formulas for the distribution of fiscal aid. Also, in the great majority of states, local taxing and borrowing powers are limited variously to specified percentages of the local assessed valuations. Under these conditions, taxpayers may be treated unequally, state aid apportioned inequitably, and local governments limited unevenly in the use of their fiscal resources.

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[9] *Royal Manufacturing Co.* v. *Board of Equalization,* 76 N.J. 6 (1908) 402. The Minnesota Supreme Court, in *Re Hamm* v. *State of Minnesota,* decided March 6, 1959, ruled that discrimination resulting from the systematic, arbitrary, or intentional undervaluation of some property as compared to the valuation of other property in the same class violates the state uniformity clause and the federal equal protection clause even though the property discriminated against is not assessed at more than fair market value. The court thus expressly overruled *State* v. *Cudahy,* decided 50 years ago, in which it refused to grant relief to a taxpayer whose property was assessed at its approximate market value even though property of the same class was assessed at far less than market value. (Cited in *Tax Administrators News* (Federation of Tax Administrators) XXIII, No. 4 (Apr. 1959), 44.)

[10] *Sioux City Bridge Company* v. *Dakota County, Nebraska,* 260 U. S. (1923) 441. *Hillsborough Township* v. *Cromwell,* 326 U. S. (1946) 620.

These conditions help to explain why "it is essential that the state law provide a uniform standard of assessment for all taxing districts in the state, together with adequate administrative means for enforcing the use of the common standard."[11] The nationwide situation respecting interarea uniformity of assessment, explored in the Census Bureau's studies, is reviewed in Chapter 7.

THE PROBLEM OF UNDERASSESSMENT

The wide gap between the legal basis and the actual basis of property assessment that prevails rather generally throughout the United States is a disconcerting feature of assessment administration.

The general property tax laws of the 48 states are so varied in their language (and in its interpretation by the courts) that it is not feasible to determine explicitly for all individual states a prescribed level of assessment—i.e., a relationship between assessed and full value that is legally specified. However, the laws of nearly three-fourths of the states appear to contemplate assessment at full value, and the language of many of them is very specific on this point. Ohio belongs in this group as to real and public utility property, but the tax laws provide for the assessment of different kinds of personalty at various percentages of full value. In 9 states there is provision for assessment at specified percentages of full value, as follows: Alabama, 60 per cent; Arkansas, 18-20 per cent; Indiana, 33⅓ per cent;[12] Iowa, 60 per cent; Nebraska, 35 per cent; Oklahoma, 35 per cent; South Dakota, 60 per cent; Utah, 40 per cent; Washington, 50 per cent. Two states, Minnesota and Montana, provide that different classes of property be assessed uniformly at various specified percentages of full value. Oregon permits each county assessor to determine the ratio of full value that is to be used uniformly for assessment in his county, and in Connecticut "stop-gap" legislation adopted in 1957 (Public Act No. 673) granted similar permission to each local assessing jurisdiction.[13] Pennsylvania permits assessors in counties of the 4th to 8th classes (comprising most of the counties) to determine the ratio of full value, not to exceed 75 per cent, at which real property shall be assessed.

As noted previously, it may be estimated from the findings of the assessment-sales ratio studies of the 1957 Census of Governments that real property was being assessed at about 30 per cent of full value nationally in 1956. None of the states having a requirement for full-value assessment approaches full-value assessment on a statewide basis. Some of the states with a fractional requirement in practice fall well short of meeting the specified level, although in those states which have most recently adopted fractional bases of assessment the intent has been to legalize the existing practice.

This situation raises three related questions that are concerned vitally not only with the future of the general property tax but with the well-being of local government. First, why does assessment administration fail to comply with the requirement of the law? Second, in what ways, if any, is underassessment detrimental to local government? Third, what are the relative merits of full-value assessment and fractional assessment, both in conformity with law? In discussion of these questions it is important to distinguish clearly between underassessment, in which assessors ignore the law, and fractional assessment, established by law.

What is often referred to as competitive underassessment has long been regarded as one of the causes of official valuation at low percentages of the legal standard. Competitive underassessment is a reflection of community policy rather than assessor's policy, the intent being to avoid payment of a fair share of county and state prop-

[11] A. E. Buck, *op. cit.*, p. 310.

[12] In Indiana the legislature has provided in 1959 "for the reassessment of all real property and improvements in the year 1961 and for every eight years thereafter. Under the new provisions, all tangible property, both real and personal, will be assessed at 33 1/3 per cent of the true cash value as of the first day of March in each year in which the assessment is made. Formerly personal property had been assessed at true cash value and real property at 33 1/3 per cent of the market or sale value as of March 1, 1949." *Tax Administrators News* (Federation of Tax Administrators) XXIII, No. 4 (Apr. 1959), 44.

[13] See Chapter 4, pp. 34-35.

erty taxes; or, where state school aid is apportioned inversely to assessed valuation, to obtain a disproportionately large share of such aid; or to induce new industries to locate locally. With an increasing number of states engaged in improving their methods of interarea equalization of assessment, the opportunities for local financial advantage at the expense of other areas are lessening; but the deep underassessment established by past practices tends to continue except under the pressure of dire local need for more revenue within a state-imposed tax rate limit or a mandate to increase the level of assessment such as has been issued by a few states. Instances may be cited, in states where there still is no effective equalization, of the creation of new overlapping special-purpose units of local government having taxing and borrowing power in order to avoid loss of the advantages of competitive underassessment.

In any review of other causes of underassessment, the pressure of influential property owners for minimizing property taxes in favor of other forms of revenue is not to be overlooked; but the assessors themselves carry a large share of the responsibility. In the first place, underassessment is more popular with the taxpayers, it helps to obscure unequal assessing, and it avoids the controversies that are bound to arise when full-value assessing is attempted. These are important considerations for the assessor if his job is elective or if his assessing methods tend to be unskilled and casual. The taxpayer whose property is assessed at, say, 40 per cent of full value when the law specifies 100 per cent may think that he has a bargain; even if much other property is assessed at only 25 per cent or 30 per cent, usually he is not in a position to know this; and even if he feels discriminated against he is unlikely to complain when he realizes that his assessment potential is more than twice the existing level. As one authority explains, "Historically, the full-value law has been used by some escape-minded assessors as a convenient method of turning aside complaints of inequity."[14]

In addition to the tendency of assessors to underassess as a means of avoiding complaints and appeals by taxpayers, in periods of rising prices their determinations of value for tax purposes are likely to be influenced by distrust of the stability of what may be inflated market levels or they make no consistent effort to adjust assessments already on the rolls to rising market value. Professional assessors place primary emphasis on uniformity in assessment and tend to be less concerned with obtaining uniformity at the level set by law. Thomas A. Byrne, Milwaukee tax commissioner, has stated that "it is human for assessors to pay more attention to this first requirement than to the second, which is that uniformity must be obtained at the full statutory level." He goes on to explain:

> Every attempt to achieve uniformity must originate in the adoption of a method. . . . The aim is to procure uniformity; the method is to systematize the application of judgment and narrow its application to the point where it no longer becomes an excuse for carelessness or, here and there, favoritism. Once an office has installed a system it is extremely difficult to change it. There can be built into it, of course, market value adjustment procedures which probably could make it more responsive to the market than is usually so, but in places where there are several hundred thousand data cards, the mere mechanics of handling them and the application of the necessary factors to existing assessments is a job which one does not undertake lightly. In this area the assessor becomes the victim of the inflexibility of his own machinery. Thus he tends to stick with his approach beyond a time when its basis is defensible except as a means of uniformity.[15]

In justification of underassessment, the assertion often is made that the level of assessment is of no concern so long as there is equality of assessment. It makes no difference to the taxpayer, it is pointed out, whether his tax bill is computed

[14] Leslie E. Carbert, "Full-Value Assessment Versus Fractional-Value Assessment," in National Tax Association, *Proceedings of the Forty-sixth Annual Conference on Taxation . . . Louisville, Kentucky, September 28-October 1, 1953* (Sacramento, Calif.: The Author, 1953), p. 174.

[15] Thomas A. Byrne, "Full Value Assessments in Practice: Reasons for Underassessment," *Assessors' News-Letter* (International Association of Assessing Officers), XXV, No. 1 (Jan. 1959), 3-7.

by applying a tax rate of $2 per $100 to a full-value assessment or a tax rate of $10 per $100 to an assessment at one-fifth of full value. This point of view overlooks the fact that assessed value, in addition to providing a tax base, usually controls or influences certain basic fiscal powers and policies of local government.

The assessor, in electing to use a level of assessment that is materially lower than that prescribed by law, arrogates to himself broad legislative powers. Drastic underassessment, for example, may cause some unintended shifting of the tax burden. When a state legislature provides for a homestead or veterans' tax exemption as a specified dollar amount of assessed valuation, there is a reasonable presumption that the legislature has in mind the assessed valuation on the basis provided by law. By assessing property at one-half or one-fifth of the legal basis, the assessor multiplies the value of the exemption.[16]

Additionally, by underassessment the assessor tampers with the operation of formulas established by state governments for the restriction of borrowing and taxing by local governments and for the distribution of fiscal aid to local governments. The great majority of the states, by constitutional or statutory provisions, limit the borrowing and property taxing powers of local governments to specified percentages of their assessed valuations. Under varying degrees of local underassessment, the determinations of local government borrowing and taxing power tend to be very uneven and to produce results that deviate erratically from the intent of constitutional and statutory policy. Only a few states are dealing systematically with this situation by requiring upward revision of assessments or by using state-equalized assessed valuation figures as the base for borrowing and taxing limits, although a considerably larger number of states are equalizing local assessments with some care to arrive at values included in formulas for apportioning school aid.

Underassessment, in fact, has had a subtly disturbing effect on the capabilities, organization, and fiscal policies of local government over large sections of the nation. Through a combination of deep underassessment and rigid legal debt and tax rate limits geared to assessed valuation, many local governments have suffered a very material erosion of their property taxing and general borrowing powers. The potential powers always can be reclaimed by raising the level of assessment, and some local governments take such action from time to time; but there are strong restraining local pressures.

With respect to local revenue systems, the movement to develop new sources of local revenue and the demands for more state aid have stemmed in part from this constricting combination. How much is good and how much is bad in this development and how far it will permit the many thousands of small local governments to maintain their fiscal autonomy are questions now being tested. Irrespective of the various emerging ameliorations of the revenue problems caused by underassessment, the curtailment of general borrowing power remains. This by-product of underassessment has contributed to the invention of devices for the evasion of constitutional borrowing and taxing restrictions, most of them tending to be unduly expensive and to complicate unduly the structure of local government. Such devices include the injudicious and costly use of revenue bonds, the formation of special districts that are merely taxing and borrowing districts although ostensibly separate governments, and the creation of so-called authorities through which capital facilities are financed indirectly from property taxes. The most disconcerting features of the underassessment situation are its extralegal status, the stop-gap improvisation used to moderate its ill effects, and the very considerable resulting confusion and misunderstanding as to the basic fiscal capacities of local governments.

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[16] In Texas, for example, where the Constitution specifies that assessments must be based on true market value, each Texas homeowner is given a $3,000 exemption from the assessed value of his home in the computation of his state property tax. On a $12,000 home, assessed at true value, the owner would pay a state tax of $37.80 if the state should levy a tax at the full rate permitted by the Constitution. On this home, assessed at 25 per cent of true value—which appears to be higher than the actual average basis in the state—no state tax would be payable.

The failure of assessing to comply with the law recently has met with such severe judicial condemnation in two states as to stir a wider interest in the need for correcting this defect in the administration of the property tax. The Supreme Court of New Jersey, in *Switz* v. *Middletown Township,* 23 N.J. 580 (1957), declared that the legal standard of assessment will be enforced by the courts at the suit of any taxpayer, and so long as the standard set by statute is 100 per cent of real value the courts will mandate that standard. The court permitted full compliance to be postponed to 1959, however, to give the state legislature time to change the basis of assessment if it wished to do so.

The Connecticut Supreme Court, in a decision following only by a few weeks the New Jersey decision, made a similar ruling (*Ingraham Co.* v. *City of Bristol,* 144 Conn. 374). In this case a taxpayer had sought relief on the ground that his personal property was assessed at 90 per cent of full value and his real property at 50 per cent of full value. The court, while not granting the relief sought, ruled that underassessment was completely invalid and contrary to the express provisions of the state statutes. The court said, among other things:

> Nor can we overlook a further matter in demonstrating the impropriety of pursuing a role of fractional valuation. When assessors adopt such rule, they indirectly assume a role which rightfully is not theirs to plan. For if such a rule is applied, the assessment roll will obviously be smaller in amount than it would be if the mandate was carried out. Under such circumstances the borrowing power of the municipality is affected, since its indebtedness may not exceed specified percentages of the grand list. Assessors who use fractional valuations to determine their assessments therefore interfere, perhaps unwittingly but nevertheless effectively, with a power that belongs to others.

Illegal underassessment, as emphasized earlier, is not to be confused with fractional assessment specified by law; the important point is that the assessment level should comply with the legal standard.

Opinion differs as to whether full-value assessment or fractional assessment is the more satisfactory procedure. Proponents of full-value assessment hold that it makes inequalities more noticeable, gives taxpayers a better opportunity to identify and obtain rectification of inequities, and impels assessors to use more care and skill in assessment. The point of view of professional assessors who see advantages in at least approaching full-value assessment may be illustrated by the following statement:

> Does it really make any difference whether assessments are at full or at a fraction of full value? From the point of view of uniformity, it probably does not, although it is often said that relative under- or over-assessment is more easily discerned at full value. There is probably some truth in this, which would impel me to believe that assessments would be better made if their levels were up reasonably near where they ought to be.[17]

The author of this statement, Tax Commissioner Byrne, as well as other experienced assessors, believe that close adherence to market value as determined by sales prices is not entirely compatible, however, with the primary objective of uniformity. Mr. Byrne emphasizes the point that an assessor "must work from a method," and that,

> At its worst or even at its best, it would have to be said that the buying public which fixes the eventual market value of these properties does not have the same set of land value rules or a pocket copy of the building appraisal manual. Market behavior is predicated upon a number of other considerations which in the end create a situation in which the answers, thus inflexibly and dispassionately obtained by the assessor in the interest of equality, may turn out to be quite unrealistic when looked at through the eyes of a single property or properties.[18]

Nevertheless, there is general agreement among authorities on property tax administration that drastic underassessment tends to produce greater inequality of assessment than assessment

[17] Thomas A. Byrne, *op. cit.,* p. 7.

[18] Thomas A. Byrne, "Some Administrative Problems in Property Taxation," in National Tax Association, *Proceedings of the Forty-ninth Annual Conference on Taxation . . . Los Angeles, California, November 13-16, 1956* (Sacramento, Calif.: The Author, 1957), p. 494.

at a level that more nearly approaches full value. This view is borne out by the findings of the 1957 Census of Governments, as discussed in Chapters 5 to 7.

In the preponderance of states that mandate full-value assessment, the discrepancy between actual assessment levels and the legal requirements tends to be so wide as to cause consternation at any proposal or requirement to enforce the legal standard. Among the objections advanced are the sharp dislocations that would result from so abrupt a departure from the various established local conventions. Built-in inequalities among different classes of property would be disclosed, with a resulting redistribution of the tax burden; there might be loss of local revenue from state-assessed public utility properties; partial exemptions for veterans, homesteads, and household effects would lose value; and local governments might be tempted to tax and borrow excessively.[19]

A few states, as previously noted, have undertaken to solve this problem by lowering their legal standards of assessment to percentages of full value considered to approximate the existing assessing practice. In Connecticut, where the Bristol decision in 1957 resulted in "stop-gap" legislation to legalize the prevailing practice of assessing property in each town at a percentage of fair market value as determined by the town assessor, a Tax Study Commission, reporting in 1959, proposed a flexible compromise arrangement to replace the former requirement of assessment at 100 per cent of fair market value.

The recommendations of the Connecticut Commission are, in substance: (1) that fair market value be retained as the standard for the valuation of real property; (2) that the assessment basis for real property be set by law at 65 per cent of fair market value, this assessment level being at, or near, the highest averages prevailing in the towns; and (3) that there be established by law "a reasonable working margin or zone of tolerance" of 10 per cent over or under the statutory level (i.e., between 71.5 per cent and 58.5 per cent) within which there would be no basis for appeals against assessments.

The commission emphasized, however, that its findings and those of a previous tax study commission indicated that a generally ineffective system of state supervision and guidance was an important cause of the prevailing underassessment. It therefore recommended the establishment within the office of the state tax commissioner of a properly staffed local property tax unit with responsibility for guidance, consultation, and annual compilation and publication of average ratios of assessed value to "market values" for adequate samples of taxable properties of all classes within each local taxing jurisdiction, and for enforcement of local compliance with all state laws and regulations pertaining to the assessment of property.[20]

THE PATTERN OF ASSESSMENT ORGANIZATION

The prevailing organization for assessment administration helps to account for the intra-area and interarea inequities in assessment and the wide downward deviations from the legal standards of assessment that weaken the property tax and impel well qualified professional observers to make such judgments as, "Probably no tax form in modern fiscal times is as poorly managed as the property tax."[21]

Most of the original assessing in the United States is done by local officials in many thousands of separate assessing areas. The 1957 Census of Governments recognized 7,690 such areas in its enumeration, but even this large total minimizes

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[19] For the potential results of the Middletown ruling in New Jersey, see William Kingsley (deputy director, New Jersey Division of Taxation), "Property Tax Equalization Program of New Jersey" in National Tax Association, *Proceedings of the Fiftieth Annual Conference on Taxation . . . Columbus, Ohio, October 21-25, 1957* (Sacramento, Calif.: The Author, 1958), pp. 151-52.

[20] Connecticut. Tax Study Commission, *Report . . . Property Taxes in Connecticut* (Hartford: The Author, 1959), pp. 66-70, 74-81.

[21] George W. Mitchell, "Is This Where We Came In?" in National Tax Association, *Proceedings of the Forty-ninth Annual Conference on Taxation . . . Los Angeles, California, November 13-16, 1956* (Sacramento, Calif.: The Author, 1957), p. 490.

the number of primary assessing areas; in some states where the counties are the equalizing and reporting agencies, and were treated in the Census as single units, there are within the counties many local areas with assessing responsibilities. The precise number of primary local assessing areas is not known. The National Association of Assessing Officers stated in 1941 that there were between 20,000 and 30,000, giving an estimate of 26,300.[22] The number probably is measurably lower at present, as the eliminations of small districts are believed to have well outnumbered the creation of new districts in recent years.

The nationwide pattern of geographical organization of primary local assessing districts is neither uniform nor clear, and only a rough summary can be attempted here.

In some 28 states, including the western and southwestern states, all of the southern states except South Carolina, and Delaware, Maryland, Ohio, and West Virginia, the county is entirely or predominantly the primary assessing district. (This group includes states with city assessing areas when, as in the instance of Baltimore and the Virginia cities, they are independent of any counties.) The counties in these states assess for county and state purposes, and in a majority of them they assess also for the underlying local governments. In a few of these states, however, there is a duplication of local assessing areas, with the underlying municipalities, and in some instances school districts and special districts, doing their own assessing. This procedure is both expensive and annoying to the taxpayers; but some local governments consider that, in view of rigid tax rate and debt limitations and drastic underassessment by the counties, it is a necessary means of saving their fiscal powers. Where the procedure is optional, as is frequently the case, it is not always used. In California, for example, nearly 70 per cent of the cities contract with the counties to supply their assessment figures.

The primary assessing area is the town or city in the 6 New England states; it is the township or municipality in about 7 other states, including Indiana, Kansas, Michigan, New Jersey, North Dakota, South Dakota, and Wisconsin. This grouping, however, needs qualification because in some of these 7 states provision is made for guidance or supervision by a county officer.

A more or less variable pattern of primary assessing areas exists in Illinois, Iowa, Minnesota, Missouri, New York, Pennsylvania, South Carolina, and Tennessee. A few illustrations will point up the nature of the variations. In Illinois, most of the assessing is done by township assessors, but assessing is on a countywide basis in Cook and St. Clair counties and about one-sixth of the other counties appoint assessing supervisors. Assessing in Iowa is on a county basis but cities of over 10,000 population have their own assessors. Minnesota has one county assessing area, Ramsey County; otherwise, assessing is done at the township, village, city, or district level, but with supervision in each county by a county assessor or supervisor of assessments. In New York, assessing is at the town and city level except in Nassau County, where it is a county responsibility.

Some of the assessing areas are large enough and sufficiently advanced in administration to employ well trained assessors and to use the techniques of scientific assessment. A majority of the assessment organizations, however, are headed by assessors or boards of assessors who are popularly elected for limited terms of office and who are likely to have had no professional training. Also, the vast majority of the primary assessing areas are so small that they must depend on inadequately equipped and usually poorly paid part-time officials.

The compensation of assessors in these small areas, and in many larger areas, is notoriously low. Reporting in 1956 that nearly 60 per cent of the assessors in New York State received only $500 per year or less, Arthur L. Bergren, director of equalization, New York State Board of Equalization and Assessment, commented: "Is it any wonder that the assessing job in many towns and some cities is confined primarily to copying last

[22] National Association of Assessing Officers, *Assessment Organization and Personnel* (Chicago: The Author, 1941), pp. 38-39.

year's roll?"[23] James K. Hall, University of Washington, in discussing a similar situation in that state, observed:

. . . it should be said that the compensation paid these officials is grossly malproportioned to the importance and technical character of the assessment function. If technical qualifications were required of those standing for election as county assessor, based on specialized training and accepted professional standards, it is questionable whether there would be any candidates for this office.[24]

Emerging from any study of this gangling organization for local assessment is the rather obvious conclusion that there are too many separate assessment jurisdictions, particularly because so many of them are too small to do an efficient, economical job of assessing. A Committee on Assessment Organization and Personnel of the National Association of Assessing Officers, reporting in 1941, recommended that:

The political subdivision serving as an assessment district should have sufficient resources to afford adequate assessment machinery, and should provide an assessment task large enough to realize the economies of large-scale operations and to warrant the employment of one full-time assessor and at least one full-time assistant.[25]

Considerable progress has been made in recent years in eliminating the township assessor, or providing him with expert supervision; but ancient traditions, with their accompanying vested interests, are hard to displace, and the goal set by the Assessing Officers nearly two decades ago is still far short of attainment.

Supplementing the original assessment, there is always some kind of provision for review and appeal, and many of the states have been extending and improving the exercise of their responsibility for regulation and supervision of local assessing and for interarea equalization of assessments; but the Census Bureau's sampling studies for the country as a whole reinforce those made by a number of individual states in showing that while a minority of assessment areas enjoy high-quality assessment, major problems of assessment administration remain to be solved in many jurisdictions.

[23] "Equalization in New York" in National Tax Association, *Proceedings of the Forty-ninth Annual Conference on Taxation . . . Los Angeles, California, November 13-16, 1956* (Sacramento, Calif.: The Author, 1957), p. 228.

[24] "Equalization of Property Assessments in Washington" in *Ibid.*, p. 213.

[25] National Association of Assessing Officers, *Assessment Organization and Personnel, op. cit.*, p. 51.

5

RELATIONSHIP BETWEEN ASSESSED VALUE AND MARKET VALUE OF LOCALLY ASSESSED REAL PROPERTY

THE ASSESSED VALUES of taxable property, as set by state and local governments, might be expected to provide a useful means of measuring and comparing property tax-paying capacity and to serve as an important index of wealth. Actually, because the classes of property taxed vary from state to state and the fractions of full value at which property is assessed vary widely among the local assessing areas, assessed values have no meaning for those purposes.

How far it is possible to adjust the assessed values used locally for general property taxation to a full-value basis that would provide reasonable comparability was one of the major concerns of the 1957 Census of Governments. If such data could be made available on a nationwide basis, much of the prevailing obscurity about the fiscal abilities of local governments would be cleared, and comparative information of great utility would be made available to persons concerned with the financial and economic affairs of the nation's many thousands of local communities. Taxable personal property, because of its elusive and variable position in the nation's property tax base, did not lend itself to such evaluation, and state-assessed property presented the obstacle of being a partially unsegregated combination of real and personal property. On the other hand, the means were available to provide reasonable estimates of full value of locally assessed real property, which in 1956 was three-fourths of the total valuation of all taxable property.

To provide such estimates, and to derive from assessed valuations other pertinent information on assessment administration, the Bureau of the Census undertook, on a sampling basis, an assessment-sales ratio study—a measurement of the relation between assessed value and sales price—of taxable property sold in each state during a 6-month period of 1956. Such a sales-ratio survey has definite limitations in producing all of the desired results, as will be noted later, but studies of this nature have been found valuable in the equalization of assessments by an increasing number of states, and in planning the survey the Census took full advantage of this experience. By utilizing recent advances in the field of scientific sampling, it was possible to conduct such a survey economically on a nationwide basis.

This survey, whose procedures, refinements, and statistical limitations are analyzed in *Taxable Property Values in the United States*,[1] was carefully devised to give all possible validity to the estimates obtained. It was limited to sales of real estate listed on local property tax rolls. Care was taken to cover only "measurable"—or ordinary market basis—sales, and to exclude types of property transfers (among relatives, for example) where the total monetary consideration might not resemble current market worth. Sales of new single-family houses, not previously occupied, were excluded on the ground that the assessed values might not yet reflect the values of the completed structures.

[1] *Taxable Property Values in the United States, op. cit.*

The survey utilized judicious methods of subclassification and weighting. Average sales ratios were computed, state by state, for each major use class of property—nonfarm residential, acreage and farms, vacant lots, and commercial and industrial property.[2] A simple sales-based average can be derived by dividing the total assessed value of the properties sold by the total sales price of the properties sold. Since, however, this method of computation ignores interarea differences within a state in the proportions of property sold, as well as differences in the turnover rate among various size or value classes of property, which may distort the state average, the Census publication offers four alternative weighted average ratios.[3] In most states, as is shown in Table C, the differences between the sets of ratios are small.

AVERAGE ASSESSMENT RATIOS BY STATES

On the basis of the estimates obtained from the assessment-sales ratio study conducted by the Census, the nationwide average level of local real property assessments in 1956 was about 30 per cent of sales value. This means that the total of locally assessed real property had an imputed value of about $700 billion, compared with a gross assessed value of only $210 billion.

The average assessment ratios for locally assessed real property in the individual states in 1956, as indicated by measurable sales, ranged very widely—from a somewhat isolated high of 66 per cent for Rhode Island to an extraordinarily modest low of 7 per cent for South Carolina. While several states provide for assessing property at some fraction of full market value, reported average assessment levels all fell materially below their respective legal bases. Regardless of any limitations of these average sales ratios as a precise measure of the level of assessment of all real property, they seem to indicate clearly that underassessment is characteristic of assessment administration on a statewide basis throughout the United States.

In Table 9, below (based on Table C in the Appendix), are given the resulting average assessment ratios weighted by type and size of property for the states, ranked in declining order of percentages. The ratios of only Rhode Island, New York, and the District of Columbia are above 50 per cent, the median state ratio is 26 per cent (Colorado and Virginia), and the ratios of 18 states are less than 20 per cent of sales prices. The great majority of the sales ratios are so low as not to be explainable solely by a lag between assessment levels and the inflationary postwar price trend. Other influences have included, variously, competitive underassessment, the lingering effect of the complaints of overassessment in the depression of the 1930's, the ways in which low-level assessment eases the assessor's job, property-owner pressure for minimizing property taxes, and the tendency of many state governments to give little systematic attention to maintaining and enforcing local assessment standards. All in all, these various factors have produced a formidable coalition of forces to erode the traditional foundation of fiscal autonomy for local government.

Although the sales ratios disclose no sharply defined regional pattern of assessment level, a few features stand out with some significance. (1) Low ratios tend to be accompanied by relatively low state-local dependence on property taxes:[4] 9 of the 12 states with the lowest property tax dependence have below-average sales ratios. (2) There are evident regional differences: in New England, where only in Rhode Island are local governments subject to tax rate limits, the sales ratios of all the states exceed the median level; western and southern states, on the other hand, predominate in the group with ratios below the median level. (3) Even in those states that have undertaken in recent years to establish legal assessment levels at fractions of full value

[2] For average ratios by use class, see *Ibid.,* Tables 7-10.

[3] Table C, in the Appendix, gives for the states the following average sales ratios: simple sales-based, geographically weighted, weighted by type of property, weighted by assessed value-size of property, weighted by type and size of property. See *Taxable Property Values in the United States, op. cit.,* pp. 9-11, for an explanation of the methods of weighting used.

[4] See Chapter 2, pp. 9-10.

TABLE 9

AVERAGE ASSESSMENT RATIOS FOR LOCALLY ASSESSED REAL PROPERTY, BY STATE, AS INDICATED BY MEASURABLE SALES DURING A 6-MONTH PERIOD OF 1956[a]

State	Per Cent	State	Per Cent
Continental United States	30	Virginia	26
Rhode Island	66	Colorado	26
New York	56	Kansas	24
District of Columbia	51	Iowa	23
Maryland	48	Nevada	23
Wisconsin	48	Georgia	22
Connecticut	47	Indiana	21
Delaware	46	Oklahoma	19
Illinois	46	California	19
Massachusetts	44	Oregon	19
South Dakota	44	Alabama	18
New Hampshire	41	Wyoming	18
Ohio	36	Louisiana	18
Maine	36	New Mexico	17
North Carolina	33	Washington	17
Pennsylvania	33	Mississippi	16
Michigan	32	North Dakota	15
Kentucky	31	Texas	15
Vermont	30	Utah	15
West Virginia	30	Arizona	15
Florida	30	Minnesota	13
Missouri	29	Idaho	10
Nebraska	29	Arkansas	9
New Jersey	28	Montana	8
Tennessee	27	South Carolina	7

Source: Appendix Table C.

[a] It should be noted that assessment at less than full market value is legally authorized in a number of states. See Chapter 4, p. 31.

that would approximate assessment practice,[5] the indicated sales ratios of 1956 are well below the new legal standards.

EFFECT OF UNDERASSESSMENT ON LOCAL GOVERNMENT

With these estimates of assessment level available, it is possible to evaluate some of the consequences of underassessment that were discussed in Chapter 4. As pointed out in that discussion, underassessment contracts legal taxing and borrowing powers and expands the value of partial tax exemptions geared to assessed valuation. Consideration of assessment practice, as opposed to the legal standard of assessment, undoubtedly has influenced the formulation of these controls in some state constitutions and statutes; but to the extent that this is the case it indicates a casual lack of precision in this important regulatory function.

A few typical illustrations will show the seriousness of the situation for local government finance. First, there is the complication of tax rate limits. Maximum tax rates, in one form or another, are imposed on local governments by constitution or statute in at least two-thirds of the states. These limits may be expressed in mills per

[5] See Chapter 4, p. 31.

dollar or dollars per $100 or $1,000 of assessed valuation, but they all represent the maximum percentage of the assessed valuation that may be levied in taxes. What this means in terms of the full market value of taxable property depends on the level of assessment.

In Alabama, for example, the state Constitution sets the maximum taxing power generally for municipal corporations at 1.25 per cent of the assessed valuation.[6] This limitation covers taxes for all purposes, including payment of debt principal and interest. Since the legal basis of assessment is 60 per cent of full value, the legal maximum taxing power is 0.75 per cent of full value; but since the indicated average basis of assessment is 18 per cent, the effective maximum taxing power is only 0.225 per cent of full value. This situation helps to explain why property taxes supply a lower portion of state-local tax revenues in Alabama than in any other state. It also goes far in explaining, since debt service on bonds payable from the property tax is included within the tax rate limitation, why a number of cities in the state have found it necessary or desirable to shore up the security of their general obligation bonds with various complicated prior and subordinate pledges of gas taxes, sales taxes, license fees, and other miscellaneous sources of revenue to supplement the limited productivity of the property tax.

In North Carolina, another state with relatively low dependence on the property tax, cities operate under a statutory tax rate limit of 1.5 per cent of assessed value, legally at 100 per cent of true market value, that excludes taxes levied for debt service. The effective tax rate limit, on the basis of an estimated average assessment level of 33 per cent, is 0.5 per cent of full value.

A municipal Government Study Commission of the North Carolina General Assembly, reporting in November, 1958,[7] recognized the weakening effect of deep underassessment upon the finances of the state's municipalities. The commission was specific on what should be done about it. After pointing out that "because education is financed largely at the state level in North Carolina from the income and sales taxes, and because the property tax does not build secondary roads, property taxes are relatively lower in North Carolina than in other states," the commission declares its belief "that the property tax, properly administered, is well suited for use by the municipalities of the State as the chief source of tax revenue." (pp. 24, 28)

The commission complains, however, that "the establishment of exceedingly low assessment ratios by counties has been the source of great difficulty to the municipalities of the State. A number of cities find it difficult to raise adequate revenues within the statutory tax rate limits because of the low assessment ratios. Similarly, the debt picture in other municipalities appears to be most unfavorable because of low valuations." (p. 29) The commission emphasizes, also (p. 29), that partial financing of capital improvements from current revenues "is generally a healthy policy"; but that some municipalities are unable to follow such a policy because of low assessed valuations.

The commission declares that if the property tax is to serve its proper role in the municipal financial picture, the gross inequities and low assessment ratios in county assessing must be corrected. "We think," the report says, "that the requirement for assessment at true market value is proper and believe that this requirement should be retained and enforced. We do not subscribe to the policy of bringing the statutes into line with common practices. On the contrary we think that these long-standing practices should be terminated by putting teeth into the law." (p. 29) The commission goes on to say that an assessment ratio of at least 55 per cent of true market value is needed

[6] For some cities the specific limit is lower but may be increased to 1.25 per cent by local referendum. For a few cities, additional taxing authority is granted to cover wider responsibilities. In Birmingham, for example, the Constitution authorizes 1.8 per cent, including 0.5 per cent for general city purposes, 0.5 per cent for debt service, 0.3 per cent for schools, and 0.5 per cent additional to be voted by the electors for specific purposes.

[7] North Carolina. General Assembly. Municipal Government Study Commission, *Report* (Raleigh: The Author, 1958).

"if municipalities are to have sufficient flexibility in the use of property tax revenues," (p. 29) and advocates such a ratio as a minimum if the counties are to be given the authority to establish their own ratios, as recommended by another commission.

The state of Washington provides an example of the impact of underassessment on an over-all tax rate limit, i.e., a limit that must be shared by the overlapping governments of a community. The state Constitution establishes an over-all limit of 4 per cent of assessed valuation (40 mills per dollar).[8] This means, legally, 2 per cent of full value, since the legal basis of assessment is 50 per cent of "true and fair value"; but at the indicated actual level of assessment of 17 per cent, the effective over-all limit is only 0.68 per cent of the full value of taxable property. While by vote of the people in any taxing district, additional levies may be made for current operations and the payment of principal and interest on popularly authorized bonds, the additional levies for current operations can be for one year only and all additional levies must be approved by 60 per cent of those voting on the proposition, who, in turn, must equal at least 40 per cent (in some districts, by statute, 50 per cent) of those who voted in the taxing district at the last general election.

The effect on local government of these and other similar situations is to compel hand-to-mouth operations and to discourage any long-range financial planning. The Tax Advisory Council of the state of Washington, reporting in 1958, declared that "a vigorous effort must be made to rehabilitate the property tax," and stated:

> Because of the unresponsiveness of the property tax in the past to provide the necessary revenues, local governments in Washington have not had enough of their own revenues to enable them to provide the desired services. As a result the state has been petitioned to assume certain local functions and, in other cases, to share its revenues with local governments. A trend has ensued toward a separation between the spending and the tax-raising units of government. . . . State per capita tax collections in Washington have been among the highest in the nation. On the other hand, local tax collections have been among the lowest in the nation. The result of this trend has been a substantial loss of home rule.[9]

The perversion, by underassessment, of limitations on local borrowing power may be even more detrimental to local government. The practice in most states is to limit long-term borrowing by local governments, secured by their faith and credit, to some percentage of the assessed valuation or an average of current and recent valuations. Usually the limitation is included in the state constitution but in several states it is statutory. Even if such limitations originally reflected careful study of the reasonable capital needs of local governments, their intent has been distorted by illegal underassessment. On the one hand, abnormally constricted taxing power tends to necessitate long-term borrowing for minor and recurrent capital requirements that normally should be financed from current revenues; on the other hand, abnormally constricted borrowing power tends to debar sound capital programing and budgeting. In some states, circumvention of constitutional restrictions has been resorted to as a means of financing certain basic local capital improvements.

A few typical illustrations of the effect of underassessment on local borrowing power follow. When the City Planning Commission of New Orleans complains in its annual reports that it is impossible to finance all urgently needed capital improvements within the constitutional debt limit of 10 per cent of the assessed valuation, its complaint is, in effect, that such financing is not feasible under a debt limit which, with the local level of assessment at about 30 per cent of full

[8] The statutory apportionment of the 40-mill limit inside cities and towns in 1958 was: state, 2 mills; county, 8 mills; school districts, 14 mills; city, 15 mills; "free" millage, 1 mill. The levies of port districts and public utility districts are outside the 40-mill limit.

[9] Washington. Tax Advisory Council, *Financing State and Local Government in Washington, A Program for Action . . .* (Olympia: The Author, 1958), p. 52.

value,[10] is only 3 per cent of the full value of taxable property. In Indiana, the constitutional debt limit for municipal corporations is 2 per cent of assessed valuation, but only 0.4 per cent of full taxable value on the basis of an estimated level of assessment for the state of 21 per cent. In Pennsylvania, local governments are authorized by the state Constitution to incur debt not to exceed 7 per cent of the assessed valuation (Philadelphia has special provisions); but with an estimated average level of assessment in the state of 33 per cent, this limit is only 2.33 per cent of the full value of taxable property.

Both in Indiana and in Pennsylvania the policy has been to circumvent, rather than to rectify, these deficiencies in general borrowing power. To provide for school construction needs, for example, the laws permit the creation of school authorities in Pennsylvania and of school building corporations in Indiana. These local public agencies construct schools and lease them to school districts, financing the construction from the proceeds of bonds which are payable solely from income derived from rental of the buildings. In Indiana, the bonds are also secured by a first mortgage on school property. The courts have ruled that such bonds do not constitute debt within the meaning of the state Constitutions, although they are, in fact, paid from property taxes levied by the school districts to meet the rental charges. These devices succeed in meeting needs; but they do so more expensively than is necessary because interest rates on such bonds tend to be measurably higher than those on general obligation bonds of the school districts.

Illustrations of means used to circumvent depressed debt and tax rate limits could be multiplied. There is extensive local use of school building corporations in Kentucky, and the "borrowing machine" type of authority is widely used for several purposes other than schools in Pennsylvania. The creation of special districts with separate borrowing and taxing powers to finance functions that normally would be departmental responsibilities of municipal governments is a familiar procedure in Indiana and is not unknown in other states. Other devices used in several states include special types of lease-purchase agreements and the issuance of limited obligation bonds payable only from a special tax or special fund.

The impediments to the adequacy and clarity of the taxing and borrowing powers of local governments that have been noted above have not gone unnoticed officially. A few states have done something about them, a few courts have taken a strong position on abolishing underassessment,[11] and a number of state tax study commissions have made recommendations. Constructive action and proposals have taken various courses. The state of Illinois, for example, acted in 1945 to provide full-value equalization of local assessments and to adjust local borrowing and taxing limits accordingly.[12] In the early 1950's the state of New York, although taking no action to standardize local assessing at full value, amended its Constitution to permit the tax rate and debt limits of local governments to apply to assessed valuation adjusted to full value as determined by a state agency, thereby clarifying local fiscal capacity and increasing materially the local taxing and borrowing powers.[13] Noted earlier are the proposals of the Connecticut Tax Study Commission, that the legal basis of assessment be reduced from 100 per cent to 65 per cent of fair market value (the highest average now prevailing in the towns), that a tolerance of 10 per cent either way be permitted, and that the state enforce local compliance with the law.[14]

Still another facet of the situation is the way partial tax exemptions and underassessment combine to narrow the tax base. Florida's constitutional homestead tax exemption of $5,000 of assessed valuation, with an average level of assessment of 41 per cent for nonfarm houses, gives full exemption to homestead property with a mar-

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10 See Table 22 in *Taxable Property Values in the United States, op. cit.*

11 See reference to *Switz* v. *Middletown Township,* p. 34; and *Ingraham Co.* v. *City of Bristol,* p. 34.

12 See below, pp. 73.

13 See below, pp. 72.

14 See above, pp. 35.

ket value of $12,200.[15] As a consequence, about 40 per cent of the assessed valuation of locally assessed real property was exempt from taxes in 1956. In Oklahoma, a homestead tax exemption of $3,000 of assessed valuation is worth $14,300 of full market value at the estimated average level of assessment of nonfarm houses of 21 per cent.

Veterans in a good many states get a much larger continuous bonus than the tax exemption laws appear to indicate. In New Jersey, for example, a veterans' exemption of $500 of assessed value is worth about $1,800 of full market value on the basis of an estimated assessment level of 28 per cent. Actually, if a veteran's exemption does not cover his entire tax bill, it may not be so large as the indicated dollar amount because the narrowing of the tax base through exemption probably has increased the tax rate on his taxable property.

In most of the foregoing illustrations of the effect of underassessment on local government finance, the indicated average assessment level for the state has been used in evaluating the restraints on use of local fiscal resources. The intensity of these restraints will vary among the local governments of a state to the extent that individual local levels of assessment have been set higher, or lower, than the state average. A more precise appraisal would call for the study of each local situation.

RELATION OF ASSESSMENT RATIOS TO TYPES OF PROPERTY

Most of the foregoing discussion has dealt with inclusive ratios covering all classes of locally assessed real property. The Census study also developed separate average assessment-sales ratios by states for nonfarm dwellings, acreage and farms, vacant lots, and commercial and industrial property.[16] Within each state these use-class ratios show a lack of uniformity, i.e., the indication is that the different classes of property are not assessed at the same level. The extent to which the assessment levels differ varies from state to state and there are also considerable state-to-state differences in the relative positions as to assessment level of the different use classes; but there is a tendency for the ratios of acreage and farms to hold the lowest relative position and the ratios of commercial and industrial property to hold the highest relative position. This tendency is brought out in the following composite tabulation, in which the 48 states and the District of Columbia are distributed according to the levels of their respective simple sales-based average assessment ratios for the various classes of transferred property.[17]

[15] A recent study of property tax assessment in Florida found that: "In some counties, the homestead exemption provision has a direct influence on the valuation of residential property. The assessor in one county stated that he believed the intent of the amendment was to exclude all homesteads from payment of any property tax. He pointed out that property values were much lower when the $5,000 exemption was granted and thus the intention was to exempt all homesteads. Consequently, no homestead eligible for the exemption in his county was assessed at more than $5,000. In two other counties, homesteads were not valued for assessment at over $5,000, but the assessors in these counties did not say that this was intentional." Ernest E. Means and W. M. Martin, *County Property Tax Assessment in Florida* (Tallahassee: Florida State University, Bureau of Governmental Research and Service, 1957), p. 51.

A significant side effect of homestead tax exemption in Florida has been its influence on the nature of local public debt. Because bonds carrying a pledge of the full faith and credit and taxing power of a municipality are not popular with influential people who still have to pay a property tax, much ingenuity has been used in developing various types of limited obligation bonds payable solely from service charges or nonproperty tax revenues that fall on owners of homestead tax-exempt property. The bulk of the general purpose debt of Jacksonville, for example, comprises special obligation bonds payable solely from locally levied utilities services taxes based on consumer bills for electric, gas, water, and local telephone service. Miami's various bond issues probably have more different kinds of security than those of any other city in the United States, including a half-dozen kinds of enterprise revenue bonds, considerable amounts of special assessment bonds for several purposes, and special obligation bonds payable solely from franchise taxes levied on the electric utility company serving the city.

[16] See *Taxable Property Values in the United States, op. cit.*, Tables 7-10.

[17] *Ibid.*, p. 10.

Average Assessment Ratio of Property Involved in Measurable Sales (per cent)	*Number of States*			
	Nonfarm Residential Property	*Acreage and Farms*	*Vacant Lots*	*Commercial and Industrial Property*
Under 15	6	16	12	4
15 to 19.9	7	11	15	5
20 to 24.9	9	3	4	7
25 to 29.9	8	10	7	6
30 to 34.9	5	4	4	2
35 to 39.9	3	..	3	4
40 to 49.9	8	4	2	6
50 or over	3	..	2	7
Not computed	..	1	..	8
Total	49	49	49	49

Since these are statewide average ratios they relate to the over-all situation in each state rather than to the status with respect to uniformity of assessment in the local assessing areas. "Thus," as noted in *Taxable Property Values in the United States* (pp. 10-11), "where the statewide average shown for one kind of property is higher than that shown for another, this may be because local areas which differ in their respective average levels of assessment account for differing portions of the measurable sales of the several kinds of property." In other words, if the ratio for acreage and farm properties is lower in a given state than the ratio for commercial properties, this may result from the fact that the farm properties are concentrated in assessment areas with relatively low general assessment ratios while the commercial properties may be concentrated in high-ratio areas.

ESTIMATED MARKET VALUE OF LOCALLY ASSESSED REAL PROPERTY, BY STATES

State-by-state estimates of market value of locally assessed real property in 1956, indicated by the 1957 Census of Governments, are given in Table C in the Appendix and are shown on a per capita basis in Table 10. These data provide useful information but are of less value for comparative purposes than the average assessment-sales ratios. The fact that they supply a good basis for interstate comparison of the market value of locally assessed real property does not justify their indiscriminate use in comparing the resources of the states as represented by taxable real estate. The figures cover all *locally assessed* real property, but in the great majority of states they do not include all *locally taxed* real property. Some property is state-assessed for local taxation in 38 states, as described in Chapter 3; but since the real and personal components of these valuations usually are not reported separately, it is not possible to show combined figures for state and locally assessed real property.

Allowance must be made for this statistical limitation in reviewing the following estimated state market values per capita for *locally assessed* real property in 1956. While in 10 states there is no state-assessed property and in 9 states state-assessed property does not exceed 5 per cent of the total assessment of real and personal property for local general property taxation, in 15 states it ranges from 9 to 19 per cent, in 10 states from 23 to 29 per cent, and in 4 states from 38 to 51 per cent. The percentages, by states, are given in Table B.

EVALUATION OF ESTIMATES OF MARKET VALUE

The foregoing discussion of assessment ratios in the several states and their relation to the financial well-being of local governments is based on estimated figures. Something more should be

TABLE 10

ESTIMATED MARKET VALUE PER CAPITA OF LOCALLY ASSESSED TAXABLE REAL PROPERTY, BY STATE, 1956

State	Amount	State	Amount
Continental United States	$4,145	Montana	$5,207
Alabama	2,275	Nebraska	5,049
Arizona	3,499**	Nevada	5,859
Arkansas	2,839	New Hampshire	4,078*
California	6,325	New Jersey	4,190*
Colorado	5,098	New Mexico	3,329**
Connecticut	4,863*	New York	3,924*
Delaware	4,785*	North Carolina	2,769
District of Columbia	4,573*	North Dakota	4,206
Florida	5,071*	Ohio	4,332
Georgia	2,238	Oklahoma	3,341
Idaho	5,600	Oregon	4,385
Illinois	4,978	Pennsylvania	3,364*
Indiana	4,373	Rhode Island	3,073*
Iowa	5,519	South Carolina	1,803**
Kansas	4,565	South Dakota	4,329
Kentucky	2,502	Tennessee	2,427
Louisiana	3,123**	Texas	5,859*
Maine	2,796*	Utah	4,000
Maryland	3,823	Vermont	3,235*
Massachusetts	3,678*	Virginia	3,618
Michigan	4,222*	Washington	4,262
Minnesota	3,773*	West Virginia	2,291**
Mississippi	1,903**	Wisconsin	3,881*
Missouri	3,741	Wyoming	4,747**

Source: Based on Appendix Table C, estimated market value as indicated by average assessment ratio weighted by type and size of property. Per capita figures computed on basis of estimated population as of July 1, 1956.

Note: As indicated by accompanying text, the significance of comparisons based on these data is limited by interstate variations in assessment patterns. In most states a material though minor fraction of all taxable realty is subject to state rather than local assessment. In this table, entries with a single asterisk (*) denote states where all or substantially all taxable realty is locally assessed (i.e., state-set valuations of "mixed" property in 1956 were zero, or less than 5 per cent as much as the taxable value of locally assessed real property). Where a double asterisk (**) appears, "mixed" property valuations set by the state exceeded 50 per cent of the taxable value of locally assessed real property. See also Appendix Table A.

said, therefore, about the reliability of the estimates. Note has been made earlier of the methods, precautions, and refinements used by the Census in its assessment-sales ratio sampling study, and also of the need for some reservation in imputing to all taxable real property in an area the assessment ratio conditions indicated by sales.[18]

There is, first, the question of how accurately true value is represented by sales prices. Professional assessors like to think that their scientific appraisal tools produce more precise determinations of full value than do sales prices. According to one authority, "an assessment-sales ratio is no more reliable than the data out of which it is computed. We know that sales as well as assessments are not perfect. Two similar properties may sell for different amounts in the same month because of a slight difference in the knowledge and

[18] See pp. 38-39, 45.

the bargaining position of the parties to the transactions. . . ."[19] A few states, apparently influenced by such considerations, use sample appraisals rather than assessment-sales ratios in their equalization of assessments; but the fact remains that "the only true value of a thing is the price it will bring in the market,"[20] and the appraisal method, as noted in *Taxable Property Values in the United States,* "necessarily involves some degree of subjectivity or individual judgment."[21]

More to the heart of the matter, since the sales ratios represent only the properties sold, is the question of the extent to which the average of these ratios indicates the average ratio for all properties in the area. The number of properties transferred in ordinary market sales in a 6-month period usually is a very small fraction of the total number of properties in the area. Further, the sold properties are a market-selected group and therefore are not necessarily well representative of the different use, price, and age classes of property that constitute the real estate of the area. The transferred properties of some classes, moreover, are likely to be more representative than those of other classes.

In the 1957 Census of Governments, sales of nonfarm houses, and particularly of single-family houses, appear to have provided a good degree of representativeness. The study shows, for example, that the average assessed valuation of sold residential properties was very similar to the average for all residential properties in most states, indicating representativeness as to value size. The average assessed valuation of sold vacant lots, however, was higher than the average for all such properties while the reverse was true for acreage and farms and industrial and commercial property—in other words, the larger industrial and commercial properties were underrepresented.[22] Limited sales representation for industrial and commercial properties, in fact, prevented Census presentation of ratios for such properties in 8 states.

Discussing the reliability and limitations of the market value and assessment ratio estimates mentioned above and summarized in Table C, *Taxable Property Values in the United States* notes:

> Subclassification and weighting, such as that applied here in terms of area, and of type and size of property, may be expected to limit the effect of differential rates of property turnover upon the overall results. Necessarily, however, the properties transferred constitute a market-selected group rather than a measurably representative sample of real property on the assessment rolls. Accordingly, . . . it is not possible to determine on an objective basis how closely the dollar amounts in table 12 resemble the actual market worth of all taxable realty that was subject to local assessment in 1956.[23]

SALES-RATIO DATA FOR NONFARM HOUSES

The prominence of single-family nonfarm residences in the national general property tax base was an impelling reason for special study by the Census Bureau of the assessment of this class of property, and such study was facilitated by the large number of measurable sales and the "relatively homogeneous" character of such property. Single-family nonfarm houses accounted in 1956, as shown in Chapter 3, for nearly one-half of all the properties and valuations on the local real estate assessment rolls. Because of the volume and wide distribution of transfers of such property found measurable in the sample survey of real estate sales, it was possible to develop sales ratio and other pertinent data for a large number of individual local assessing areas.

Table 11 includes, by states, both simple sales-based average ratios and geographically

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[19] William G. Murray, "Local Use of Assessment-Sale Ratios," in National Tax Association, *Proceedings of the Forty-fifth Annual Conference on Taxation . . . Toronto, Canada, September 9-12, 1952* (Sacramento, Calif.: The Author, 1953), p. 408.

[20] Philip E. Taylor, *The Economics of Public Finance,* Rev. ed. (New York: Macmillan Co., 1953), p. 297.

[21] *Taxable Property Values in the United States, op. cit.,* p. 19.

[22] *Ibid.,* p. 9 and Tables 7-10.

[23] *Ibid.,* p. 11.

TABLE 11

RATIO OF ASSESSED VALUE TO SALES PRICE, SINGLE-FAMILY NONFARM HOUSES INVOLVED IN MEASURABLE SALES DURING A 6-MONTH PERIOD OF 1956, BY AGE OF HOUSE, BY STATE

State	*Simple Sales-Based Ratio*[a]				*Geographically Weighted Ratio*
	Houses built since 1949	*Houses built between 1945 and 1949*	*Houses built before 1945*	*All*	
Alabama	20.8 ± 0.5	20.2 ± 0.6	20.6 ± 0.7	20.6 ± 0.3	20.0
Arizona	21.5 ± 0.3	22.6 ± 0.7	17.4 ± 0.7	20.7 ± 0.3	19.7
Arkansas	10.9 ± 0.2	11.0 ± 0.4	11.6 ± 0.5	11.2 ± 0.2	11.2
California	20.8 ± 0.1	20.8 ± 0.1	18.2 ± 0.2	19.8 ± 0.1	19.8
Colorado	30.4 ± 0.4	30.8 ± 0.8	24.6 ± 0.5	28.3 ± 0.3	28.3
Connecticut	44.4 ± 0.2	45.6 ± 0.8	42.9 ± 0.5	43.7 ± 0.3	43.9
Delaware	50.7 ± 0.7	51.5 ± 0.8	54.7 ± 1.2	52.5 ± 0.6	51.3
Dist. of Col.[b]	45.4 ± 0.8	45.4 ± 0.7	46.0 ± 0.4	45.9 ± 0.3	xxx
Florida	42.2 ± 0.4	41.0 ± 1.1	37.6 ± 1.1	40.8 ± 0.4	40.2
Georgia	26.5 ± 0.9	28.5 ± 1.7	23.2 ± 0.8	25.6 ± 0.5	25.1
Idaho	11.1 ± 0.1	11.3 ± 0.3	10.8 ± 0.2	11.0 ± 0.1	11.1
Illinois	40.3 ± 0.6	40.6 ± 1.0	42.5 ± 0.5	41.6 ± 0.3	40.4
Indiana	22.3 ± 0.3	25.5 ± 0.5	22.8 ± 0.5	22.9 ± 0.3	22.8
Iowa	21.5 ± 0.3	23.7 ± 0.6	23.4 ± 0.3	22.9 ± 0.2	23.2
Kansas	17.6 ± 0.3	18.6 ± 0.5	20.7 ± 0.4	19.2 ± 0.2	19.8
Kentucky	31.3 ± 0.4	28.4 ± 0.8	27.9 ± 0.3	29.0 ± 0.2	28.7
Louisiana	20.4 ± 0.5	22.8 ± 0.8	21.6 ± 1.1	21.4 ± 0.4	22.0
Maine	30.6 ± 1.5	35.0 ± 2.1	33.2 ± 0.7	32.8 ± 0.5	33.2
Maryland	53.3 ± 0.5	55.2 ± 1.0	54.6 ± 1.4	54.2 ± 0.8	53.0
Massachusetts	38.8 ± 0.3	39.9 ± 0.5	39.8 ± 0.3	39.5 ± 0.2	37.4
Michigan	27.7 ± 0.2	28.9 ± 0.3	32.0 ± 0.2	29.9 ± 0.1	30.7
Minnesota	9.7 ± 0.2	10.7 ± 0.4	10.7 ± 0.2	10.4 ± 0.1	9.7
Mississippi	18.1 ± 0.6	17.6 ± 0.6	17.9 ± 0.7	17.9 ± 0.4	17.6
Missouri	25.2 ± 0.4	28.2 ± 0.5	27.1 ± 0.3	26.7 ± 0.2	27.7
Montana	9.0 ± 0.4	12.4 ± 3.7	9.4 ± 0.4	9.5 ± 0.3	8.6
Nebraska	29.1 ± 0.4	32.0 ± 0.7	29.3 ± 0.4	29.5 ± 0.2	29.8
Nevada	25.3 ± 0.4	24.7 ± 0.7	23.1 ± 0.5	24.6 ± 0.3	24.2
New Hampshire	38.3 ± 1.2	37.8 ± 1.0	39.5 ± 0.6	39.0 ± 0.5	38.8
New Jersey	20.2 ± 0.2	23.9 ± 0.7	25.5 ± 0.3	23.6 ± 0.2	22.7
New Mexico	20.4 ± 0.4	22.4 ± 0.6	22.1 ± 0.8	21.2 ± 0.3	21.4
New York	31.6 ± 0.4	33.9 ± 0.8	41.5 ± [c]	37.6 ± [c]	36.5
North Carolina	33.5 ± 1.1	37.2 ± 1.8	37.1 ± 1.6	35.7 ± 0.8	33.9
North Dakota	11.5 ± 0.3	14.2 ± 1.3	14.2 ± 0.4	13.3 ± 0.3	13.2
Ohio	35.3 ± 0.4	34.3 ± 0.4	35.9 ± 0.2	35.6 ± 0.2	35.4
Oklahoma	21.7 ± 0.2	21.5 ± 0.3	19.7 ± 0.3	20.9 ± 0.2	20.6
Oregon	19.6 ± 0.4	19.9 ± 0.7	19.2 ± 0.4	19.5 ± 0.2	19.5
Pennsylvania	28.4 ± 0.6	28.8 ± 1.0	32.9 ± 0.4	31.3 ± 0.3	30.3
Rhode Island	61.3 ± 1.0	59.6 ± 1.6	59.1 ± 0.8	59.8 ± 0.5	58.4
South Carolina	5.3 ± 0.2	5.6 ± 0.2	6.8 ± 0.2	5.9 ± 0.1	5.9
South Dakota	35.9 ± 1.1	40.8 ± 2.1	39.3 ± 0.8	38.6 ± 0.5	37.5
Tennessee	34.3 ± 0.7	31.2 ± 1.0	27.3 ± 0.8	31.1 ± 0.4	29.1
Texas	18.4 ± 0.1	18.1 ± 0.2	17.8 ± 0.4	18.2 ± 0.1	18.1
Utah	16.4 ± 0.2	14.3 ± 0.3	15.0 ± 0.4	15.5 ± 0.2	15.6
Vermont	27.4 ± 0.9	25.3 ± 0.9	28.5 ± 0.5	28.1 ± 0.4	27.9
Virginia	28.3 ± 0.9	33.6 ± 0.9	34.6 ± 0.6	31.7 ± 0.4	30.7
Washington	17.0 ± 0.3	16.4 ± 0.4	14.3 ± 0.2	15.6 ± 0.1	15.4
West Virginia	24.9 ± 1.1	25.6 ± 1.1	27.6 ± 0.7	26.6 ± 0.5	26.2
Wisconsin	43.5 ± 0.5	48.9 ± 1.0	45.6 ± 0.3	45.4 ± 0.2	44.9
Wyoming	22.9 ± 0.3	21.6 ± 0.6	18.2 ± 0.3	20.8 ± 0.2	21.1

Source: U.S. Bureau of the Census, *Taxable Property Values in the United States.* 1959. (1957 Census of Governments, Vol. V), p. 83.

[a] The figure following the plus or minus sign (±) indicates the sampling variability to which each average ratio is subject.

[b] District of Columbia data relate to a 12-month period.

[c] Sampling variability (in terms of assessment ratio) less than 0.05 per cent.

weighted average ratios for single-family nonfarm houses involved in measurable sales in the 6-month period of 1956 covered by the study. In most states the difference between the two sets of ratios is negligible. Where the weighted ratio is higher it indicates a somewhat lesser turnover of residential property during the survey period in local areas with relatively high assessment ratios than in the remainder of the state; where the weighted ratio is lower it indicates the reverse.[24]

Comparison of the simple sales-based average ratios for single-family nonfarm houses given in Table 11 with the like ratios for all real property given in Table C discloses a close similarity in the great majority of states; but in a limited number of states the average ratio for this residential component is sufficiently at variance with the average ratio for all real property to indicate a measurable departure from interclass uniformity of assessment level. The average ratio for houses is conspicuously higher in Florida, 41 per cent compared with 30 per cent. Other illustrations in higher ratios for houses include: Arizona (21-16), Delaware (53-49), Georgia (26-22), New Mexico (21-18), Tennessee (31-28), and Virginia (32-27). It is notably lower, on the other hand, in New York (38-53) and Rhode Island (60-64), and measurably lower in the District of Columbia (46-49), Massachusetts (40-43), and West Virginia (27-30). With limited exceptions, therefore, the situation respecting underassessment indicated by the over-all average assessment ratios, reviewed previously, is virtually the same for single-family nonfarm houses.

ASSESSMENT RATIOS IN LOCAL ASSESSING DISTRICTS

Thus far, the review of the relationship between the assessed value and market value of locally assessed real property has been concerned primarily with statewide and interstate comparisons. These data are significant because of the national character of the general property tax and the responsibility of the states for the form of the tax and the standards for its administration; but the Census study recognized that this tax is primarily a locally administered tax and that information respecting the standards and practices of assessment administration must come largely from appraisal of actual performance in the local areas of assessment jurisdiction.

Presentation of data pertaining to assessment administration in local assessing areas was restricted to the assessment of single-family nonfarm houses. Measurable sales of this kind of property were sufficiently numerous and widespread to permit their analysis in a large number of local areas; the sold property appeared to be more representative of all properties of its class than did that of other classes; and, since this class of property lends itself more readily than do most other classes of property to the establishment and maintenance of uniform assessing standards, a study of its assessment could provide a fair test of the general quality of local assessing administration.

This study concentrated on the 1,263 assessment areas in the sample survey of real property sales in which 5 or more sample transfers of nonfarm houses were recorded. Although they represent only a small portion of the total number of assessment areas in the United States, they included 71 per cent of the nation's population in 1950. These selected areas do not provide a balanced representation of all local assessing areas, as a high percentage are large urban areas and only a small percentage are small and rural areas; but they are sufficiently representative to permit some comparison of assessment standards in large and small areas, areas inside and outside of standard metropolitan areas,[25] and areas under

[24] As noted earlier, sales of newly constructed houses not previously occupied have been excluded from the compilation because of the possibility that the 1956 assessment included only land, or land and partially completed construction.

[25] A standard metropolitan area comprises "one or more contiguous counties (or, in New England, cities and towns) having at least one city of 50,000 inhabitants or more, with which the area is socially and economically integrated." The Census Bureau recognized 174 such areas in 1956.

the three kinds of assessment jurisdiction under which they were grouped for the Census study.[26] They divide into those classifications as follows:

Group Classification	*Number*	*Per Cent of All Local Areas in Indicated Group*
With 1950 population of 50,000 or more	395	83.9
With 1950 population of less than 50,000	868	12.0
Located in standard metropolitan areas	356	39.0
Located outside standard metropolitan areas	907	13.4
Type A	700	32.4
Type B	265	
Type C	298	6.2

The findings of the Census study respecting the comparative *levels* of assessment in the "selected areas" are considered here. The findings on intra-area and interarea uniformity of assessment are reviewed in Chapters 6 and 7.

Median Assessment Ratios

The selected areas have been classified according to their median assessment ratios for sold nonfarm houses. (The assessment ratio for each property is the relation of its assessed valuation to its sales price, and the median ratio for each local area is the middle figure in the individual assessment ratios of the area when they are ranked according to size.) The classification is given in Table 12.

The median assessment ratios for nonfarm houses involved in measurable sales in the 1,263 selected local areas reinforce the statewide findings respecting assessment levels. The median assessment ratios were less than 50 per cent in 94 per cent of the areas, they were less than 25 per cent in nearly one-half of the areas, and they were under 15 per cent in 17 per cent of the areas.

Even with due allowance for the fact that the data in Table 12 are based on selected areas, that they cover only one major class of real property, and that the nonfarm houses sold in a 6-month period may not be precisely representative of the properties that were not sold, the findings emphasize the complete absence of uniformity of assessment level among the nation's local assessing areas and suggest strongly that drastic underassessment is almost universal. The findings add support, also, to the previously expressed view that the fiscal powers of a great majority of local governments—operating as they do under constitutional, statutory, and charter tax rate and debt limits based on assessed value aggregates—are severely limited by assessment policies.

Comparison of the median assessment-sales ratios for nonfarm houses in the 868 selected local areas having populations of less than 50,000 in 1950 with those for 395 larger selected areas discloses a markedly greater concentration of very low ratios in the under 50,000 group. The most conspicuous difference was in the areas with ra-

[26] Areas of Type A consist of entire counties; areas of Type B, of counties where legally there is some form of county jurisdiction although the initial assessing responsibility rests with municipal or township assessors; areas of Type C, of individual municipalities or townships.

Type C includes all assessing areas in the 6 New England states and in Michigan and Wisconsin. Type B includes all assessing areas in Indiana, Kansas, Minnesota, New Jersey, North Dakota, and South Dakota; most areas in Illinois, New York, and South Carolina; a majority of areas in Pennsylvania; and a minority of areas in Iowa and Missouri. Type A includes the remaining counties in the 6 states indicated above to have some areas of Type B, all county areas in the other 28 states, and the District of Columbia.

This classification is related to the sources of data on which the Census of Governments depended for its sample survey of realty assessments. Information was obtained at the county level, regardless of any smaller primary assessing areas, when a county agency was able to provide the details needed for individual pieces of taxable real property in the county.

TABLE 12

DISTRIBUTION OF SELECTED LOCAL AREAS ACCORDING TO MEDIAN ASSESSMENT RATIO FOR NONFARM HOUSES, BY TYPE OF AREA, 1956

(Based on a sample of measurable sales taking place in a 6-month period of 1956)

Median Assessment Ratio (Per Cent)	All Selected Areas[a]	Area Population (1950)		Selected-Area Location Relative to Standard Metropolitan Areas[b]		Kind of Assessment Organization[c]		
		50,000 or More	Less Than 50,000	Inside	Outside	Type A	Type B	Type C
Number of Areas								
Total	1,263	395	868	356	907	700	265	298
Less than 10.0	90	18	72	7	83	47	43	...
10.0 to 14.9	132	30	102	17	115	104	22	6
15.0 to 19.9	156	51	105	33	123	117	32	7
20.0 to 24.9	240	85	155	71	169	143	60	37
25.0 to 29.9	190	58	132	53	137	113	41	36
30.0 to 39.9	233	88	145	88	145	113	33	87
40.0 to 49.9	141	44	97	54	87	43	25	73
50.0 or more	81	21	60	33	48	20	9	52
Per Cent of Areas								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than 10.0	7.1	4.6	8.3	2.0	9.2	6.7	16.2	...
10.0 to 14.9	10.4	7.6	11.8	4.8	12.7	14.9	8.3	2.0
15.0 to 19.9	12.4	12.9	12.1	9.3	13.6	16.7	12.1	2.3
20.0 to 24.9	19.0	21.5	17.8	19.9	18.6	20.4	22.6	12.4
25.0 to 29.9	15.0	14.7	15.2	14.9	15.1	16.1	15.5	12.1
30.0 to 39.9	18.4	22.3	16.7	24.7	16.0	16.1	12.4	29.2
40.0 to 49.9	11.2	11.1	11.2	15.2	9.6	6.1	9.4	24.5
50.0 or more	6.4	5.3	6.9	9.3	5.3	2.9	3.4	17.4
Per Cent of Areas, Cumulative								
Less than 10.0	7.1	4.6	8.3	2.0	9.2	6.7	16.2	...
Less than 15.0	17.6	12.2	20.0	6.7	21.8	21.6	24.5	2.0
Less than 20.0	29.9	25.0	32.1	16.0	35.4	38.3	36.6	4.4
Less than 25.0	48.9	46.6	50.0	36.0	54.0	58.7	59.2	16.8
Less than 30.0	64.0	61.3	65.2	50.8	69.1	74.9	74.7	28.9
Less than 40.0	82.4	83.5	81.9	75.6	85.1	91.0	87.2	58.1
Less than 50.0	93.6	94.7	93.1	90.7	94.7	97.1	96.6	82.6

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States*. 1959. (1957 Census of Governments, Vol. V), p. 84.

[a] Selected areas are sample areas having 5 or more sample sales of previously occupied single-family houses. Sales of newly constructed houses are not represented in these data.

[b] The 174 areas so recognized as of 1956, each comprising one or more contiguous counties (or, in New England, municipalities and towns). Each SMA has at least one city of 50,000 inhabitants or more, with which the area is socially and economically integrated.

[c] For nature of this classification, see text.

tios of less than 15 per cent—one-fifth of the smaller areas, as compared with about one-eighth of the larger areas, were in this group.

When the assessment ratios for local assessing areas located inside and outside of standard metropolitan areas are compared, the underassessment is indicated to be materially greater in the latter. Median ratios of less than 15 per cent were indicated in 22 per cent of the outside areas but in only 7 per cent of the inside areas. Likewise, ratios of less than 25 per cent were found in 54 per cent of the nonmetropolitan and in 36 per cent of the metropolitan group. This comparison, as well as that of the two size groups, may be mainly an indication of more pressure for tax revenue in the larger assessing areas and in those

located within standard metropolitan areas; but, as will be shown later, better quality assessment may also be a factor.

That the type of assessment jurisdiction influences materially the level of assessment appears doubtful. While the assessment ratios in the local areas of Type C show less drastic underassessment than in those of the other types, this situation probably is due to geographical location rather than to organizational arrangements. Over two-thirds of the local areas of Type C are in New England, where the general property tax, mostly levied according to need rather than to the dictates of a tax rate limit diluted by underassessment, has had its longest history as a major source of local revenue.

6

INTRA-AREA UNIFORMITY IN LOCAL ASSESSMENT ADMINISTRATION

THE ASSESSMENT OF PROPERTY is by far the most demanding and difficult process in the administration of the general property tax. For equitable administration of the tax, the assessor must provide uniformity of assessment within each local assessing area. Such intra-area uniformity exists when the assessed valuations of all parcels of property in a local area bear the same relationship to a given standard of value, either full market value or some fraction thereof as determined by law. Intra-area uniformity is lacking, and property owners are taxed unequally, if properties in the same use class are assessed at materially varying percentages of the legal standard of value, and also if varying percentages are employed for the assessment of different use classes of property.

In the discussion of the problems of assessment administration, in Chapter 4, reasons were given why absolute uniformity of assessment is impossible to obtain, and why some kinds of property are more difficult to assess equitably than others. The complexity of the assessor's job, moreover, when all of the types, sizes, and conditions of communities are considered, is considerably greater in some areas than in others.

If assessing achieves a reasonable degree of uniformity, therefore, it meets acceptable standards; but this raises the question of what is reasonable—what degree of deviation from strict uniformity marks the boundary of good assessing. Before an answer can be attempted, a satisfactory means of measuring comparative deviation is needed, one that will make accurate allowance for the widely varying levels of assessment. A measurement standard favored by assessing experts is the *coefficient of dispersion,* or *coefficient of deviation.* The Bureau of the Census used this measure in its assessment study.

COEFFICIENT OF INTRA-AREA DISPERSION

The coefficient of dispersion for a given area is the percentage which the average of the deviations of the assessment ratios of individual sold properties from their median ratio bears to their median ratio. The resulting percentage has sometimes been called the index of assessment inequality.

The method of computation used in the Census Bureau study was as follows. The individual assessment ratios of the sold properties in the sample were computed and the median ratio determined. The deviation in percentage points of each individual ratio from the median ratio was found, and the sum of these deviations was divided by the number of ratios to ascertain the average deviation. The coefficient of dispersion was then derived by dividing the average deviation by the median ratio. The procedure may be shown by a simple illustration in which the sample comprises 9 houses and the coefficient of dispersion is found to be 20. (In this example, it is assumed for purposes of further demonstration that the sale price of each of the 9 houses was $20,000.)

House	*Assessed Value*	*Assessment Ratio*	*Deviations from Median*
A	$ 6,400	32.0	—18.0
B	7,400	37.0	—13.0
C	8,000	40.0	—10.0
D	8,800	44.0	— 6.0
E	10,000	50.0	— 0.0
F	11,000	55.0	5.0
G	11,600	58.0	8.0
H	12,800	64.0	14.0
I	13,200	66.0	16.0
Total deviations			90.0
Average deviation			10.0
Coefficient of dispersion (10, the average deviation, divided by 50, the median ratio) = 20 per cent			

The lower the coefficient of dispersion, the more uniform are the assessments. It is to be noted that the average deviation must be related to the median ratio or assessment level to produce a meaningful index. The same average deviation of 10, if applied to a median ratio of 80, would produce a coefficient of 12.5; if applied to a median ratio of 25, it would produce a coefficient of 40.

How low the index must be to indicate good quality assessment must be determined largely by what successful local assessment administrations have been able to accomplish. The Census study, as will be shown, is very enlightening on this issue; but there also is some background of previous evaluation. The late Dr. John H. Russell, former director of research for the Virginia Department of Taxation, who emphasized this measure as an "index of assessment inequality" some 20 years ago, is reported to have established that " 'an index as low as 20 should be considered a goal desirable of achievement and reasonably attainable,' that anything below this is to be considered as an excellent degree of equalization for uniformity," and that " 'an index as high as 45 should be judged cause for the gravest concern.' "[1]

Having as a goal an index of 20 appears to be a rather modest objective that still allows the assessor a wide tolerance. In the example given above of the computation of a coefficient of dispersion found to be 20, it is indicated that in the instance of 9 houses all sold at the same price of $20,000, where the median assessment level was 50 per cent or $10,000, the range of individual assessments was from $6,400 to $13,200. There is some opinion that a considerably lower index than 20 is necessary for really acceptable assessment. A Minnesota tax study committee has stated that "a coefficient of dispersion of 10 per cent or less suggests that the assessor is performing his job well."[2] However, it must be kept in mind, as noted earlier, that "sales as well as assessments are not perfect," so that to some degree a coefficient of dispersion is influenced by differences among pairs of buyers and sellers as to the worth of sold properties. Accordingly, some amount of dispersion appears inevitable.

MEASUREMENT OF ASSESSMENT UNIFORMITY IN SELECTED AREAS

A significant feature of the assessment-sales ratio study by the 1957 Census of Governments was the determination of the coefficients of dispersion in the assessment of nonfarm houses for the 1,263 selected local assessing areas. The fact that this study of the degree of intra-area uniformity of assessment is limited to a class of property that is common to all of the selected areas, and seemingly lends itself well to uniformity of assessment, provides a good basis for comparability and a less exacting test of assessing competence than one which included other types of real property in all of their diverse forms. The assessing of even so homogenous a class of property as single-family houses, however, varies in difficulty from area to area. For example, the assessment of houses in a mass-produced residential suburb comprising modest dwellings that differ little in type and age has none of the problems that the assessor meets in a long-established community where structures range from

[1] J. Edward Rountry, "Equalization at Market Value," *Appraisal Journal* XXIV, No. 2 (Apr. 1956), 222.

[2] Governor's Minnesota Tax Study Committee, *op. cit.*, p. 177.

mansions of ancient vintage to the last word in split-levels to the hovels across the tracks.

The situation disclosed for the selected areas as a whole, summarized in Table 13, is one of an almost incredibly wide range of administrative performance, particularly when the fact is taken into account that these areas represent for the most part areas large enough to employ professional assessment administration. In the high-quality range at the lower end of the scale, only 7.9 per cent of the areas had coefficients of dispersion of less than 15, and only one-fifth kept this measure under 20. One-half of the areas were able to show coefficients of dispersion of less than 30 per cent, but in about one-sixth of the areas the figure soared to 50 per cent or higher. That the sold properties in some areas offered more complexities of assessment than those in other areas is an insufficient explanation of the great diversity in the over-all record.

TABLE 13

DISTRIBUTION OF SELECTED LOCAL AREAS ACCORDING TO COEFFICIENT OF DISPERSION OF ASSESSMENT RATIOS FOR NONFARM HOUSES, BY TYPE OF AREA, 1956

(Based on a sample of measurable sales taking place in a 6-month period of 1956)

Coefficient of Dispersion (Per Cent)	*All Selected Areas*[a]	*Area Population (1950)*		*Selected-Area Location Relative to Standard Metropolitan Areas*[b]		*Kind of Assessment Organization*[c]		
		50,000 or More	*Less Than 50,000*	*Inside*	*Outside*	*Type A*	*Type B*	*Type C*
Number of Areas								
Total	1,263	395	868	356	907	700	265	298
Less than 15.0	100	20	80	43	57	33	1	66
15.0 to 19.9	158	63	95	75	83	82	14	62
20.0 to 24.9	191	67	124	70	121	110	23	58
25.0 to 29.9	184	75	109	61	123	93	51	40
30.0 to 34.9	132	50	82	35	97	72	44	16
35.0 to 39.9	135	39	96	33	102	71	40	24
40.0 to 49.9	147	39	108	17	130	93	39	15
50.0 or more	216	42	174	22	194	146	53	17
Per Cent of Areas								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than 15.0	7.9	5.1	9.2	12.1	6.3	4.7	0.4	22.1
15.0 to 19.9	12.5	15.9	10.9	21.1	9.2	11.7	5.3	20.8
20.0 to 24.9	15.1	17.0	14.3	19.7	13.3	15.7	8.7	19.5
25.0 to 29.9	14.6	19.0	12.6	17.1	13.6	13.3	19.2	13.4
30.0 to 34.9	10.5	12.7	9.4	9.8	10.7	10.3	16.6	5.4
35.0 to 39.9	10.7	9.9	11.0	9.3	11.2	10.1	15.1	8.0
40.0 to 49.9	11.6	9.9	12.4	4.8	14.3	13.3	14.7	5.0
50.0 or more	17.0	10.6	20.0	6.2	21.4	20.0	20.9	5.7
Per Cent of Areas, Cumulative								
Less than 15.0	7.9	5.1	9.2	12.1	6.3	4.7	0.4	22.1
Less than 20.0	20.4	21.0	20.2	33.1	15.4	16.4	5.7	43.0
Less than 25.0	35.6	38.0	34.4	52.8	28.8	32.1	14.3	62.4
Less than 30.0	50.1	57.0	47.0	69.9	42.3	45.4	33.6	75.8
Less than 35.0	60.6	69.7	56.4	79.7	53.0	55.8	50.2	81.2
Less than 40.0	71.3	79.5	67.5	89.0	64.3	65.9	65.3	89.3
Less than 50.0	82.9	89.4	79.9	93.7	78.6	79.2	80.0	94.3

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States.* 1959. (1957 Census of Governments, Vol. V), p. 85.

[a] Selected areas are sample areas having 5 or more sample sales of previously occupied single-family houses. Sales of newly constructed houses are not represented in these data.

[b] See footnote [b], table 12.

[c] For nature of this classification, see text.

When the coefficients of dispersion of the areas with populations of 50,000 or over are compared with those of the smaller areas, the former are seen to have obtained somewhat more assessment uniformity. The difference is not great, and in the high-quality range with coefficients of dispersion of less than 15 the smaller areas make a better showing; but upward of that range the larger areas pull ahead, and only 21 per cent of them have a coefficient of dispersion of 40 or over compared with 32 per cent of the smaller areas. The showing of the larger areas is somewhat in keeping with their greater opportunity to maintain skilled assessing organizations.

A considerably greater differential appears when the selected areas inside and outside standard metropolitan areas are compared. The results markedly favor the inside areas. One-third of the assessing areas within standard metropolitan areas show coefficients of dispersion of less than 20, compared with only 15 per cent of the outside areas. At the other extreme, only 11 per cent of the inside areas fall in the 40-and-over classification, whereas 36 per cent of the outside areas carry this unfavorable distinction. To account for so marked a contrast, there necessarily must be a higher average quality of assessment administration in the areas located within standard metropolitan areas, but probably contributing also to the greater uniformity of assessment are the higher percentages of recently built houses, which are considered easier to appraise than the older houses.

Table 13 also provides information on divergence in assessment uniformity in the selected areas according to the kind of assessing organization. Areas of Type C are municipalities and townships (towns in New England). Areas of Type B consist of counties within which the municipalities and townships are the primary assessing areas. Figures for these areas indicate the effect of local assessment on the degree of equity with which county taxes are apportioned, and reflect assessing results in small units with part-time assessors that receive little representation in the selected areas of Type C. The local areas of Type A are those which consist of entire counties with a single officer or agency directly responsible for all local property assessment throughout the area. While certain of these Type A areas are less populous than some of the New England towns of Type C, they range upward in size and assessing complexity to such metropolitan composites as Los Angeles County, California, and Cook County, Illinois.

Countywide assessing has long been advocated on the grounds that it will permit greater efficiency of assessment. The actual performance in such areas (Type A), to the extent that it is disclosed in the Census study, is clearly superior to that in the countywide areas of Type B, with decentralized assessing. While 16 per cent of the areas of Type A had a coefficient of dispersion of less than 20, and 45 per cent a coefficient of less than 30, only 6 per cent of the areas of Type B were in the under-20 classification and only 34 per cent in the under-30 group. Despite the fact, however, that Type A assessing averages considerably better than Type B assessing, it is still mediocre on an over-all basis. The coefficient of dispersion in more than one-third of the areas of Type A was 40 or over. It may be said, in explanation of this record, that the creation of assessing areas large enough to permit efficient administration does not, of itself, produce uniform assessment; the assessing agencies themselves must be organized, staffed, and equipped to do a competent, impartial job.

Only in areas of Type C does the over-all situation make any approach to a satisfactory standard. As is shown in Table 13, well over one-fifth of these areas have a coefficient of dispersion of less than 15; well over two-fifths, of less than 20; and over three-fourths, of less than 30. Only one-tenth are in the classification of 40 or over. Part of this indicated superiority over areas of Types A and B may be due to a somewhat less complex range of assessing problems, but it may be attributable, as well, to the fact that these areas are located in the New England states, where there has been long experience with the property tax, and in Michigan and Wisconsin, the latter of which has had long-established state supervision of local assessing.

Coefficient of Dispersion, Median Area

To show comparatively what might be termed the average deviation from uniformity in the selected areas as a whole and in the several groups, the following coefficients of dispersion for the median area in each area classification are presented.[3]

Group	*Median Area*
All Selected Areas	29.9
Type A Assessment Organization:	
All	32.2
1950 population 50,000 or over	26.9
1950 population under 50,000	36.4
Type B Assessment Organization:	
All	35.0
1950 population 50,000 or over	33.3
1950 population under 50,000	36.4
Type C Assessment Organization:	
All	21.8
1950 population 50,000 or over	22.4
1950 population under 50,000	21.7

These median area figures point up several of the important general determinations arising from the use of the coefficient of dispersion to measure assessment uniformity. One-half of all selected areas, for example, were unable to show coefficients of dispersion of less than 30, although 20 or less is indicated to be an attainable standard. Only in areas of Type C did the median area approximate this standard. Although, in general, the more populous areas achieved a somewhat higher degree of uniformity of assessment than the less populous areas, this was not true of the areas of Type C, where superiority of performance extended into the group of less than 50,000 population.

The measurements of intra-area uniformity of assessment that have been presented, it should be emphasized, are based on a scientific sampling of houses sold in a 6-month period of 1956. The houses sold over such a period are not likely to be precisely typical of those of all houses in an area; but this apparent limitation on the reliability of the findings of the study is materially offset by the scope and scale of the survey and the diversity of the areas covered.

Differences among the States

Over three-fifths of the selected areas in each of 3 states—Connecticut, Maryland, and Wisconsin—had coefficients of dispersion of less than 20. In contrast, 5 states had none of their selected areas in this classification and 13 other states had less than one-tenth of their areas thus favorably classified.

Another way of showing how markedly the local areas in the different states vary in their ability to do good quality assessing is to compare their median area coefficients of dispersion. The median area coefficient of dispersion for all selected areas was 29.9. The range of median area coefficients for selected areas in each of 45 states was as follows:[4]

Median Area Coefficient of Dispersion	*Number of States*
Less than 15	1
15.0-19.9	2
20.0-24.9	5
25.0-29.9	10
30.0-34.9	11
35.0-39.9	11
40 or over	5

Implications of the Findings

The findings of this study help to show, in the first place, what standard of uniformity in assessment the property taxpayers of the nation are entitled to expect. That one-fifth of all of the 1,263 selected areas were able to show coefficients of dispersion of less than 20 in the assessment of nonfarm houses would seem to indicate that a level of 20 or better for at least this major use class of property is attainable in all assessing areas that are suitably organized and adequately staffed with well-trained assessors. This conclusion is supported by the previously cited determinations

[3] These data are summarized from *Taxable Property Values in the United States, op. cit.*, Table 17.

[4] From Table 19 in *Taxable Property Values in the United States, op. cit.;* median figures were not developed for Arizona, Delaware, and Nevada.

of students of assessment administration respecting over-all standards of assessment.

In the second place, the findings are a strong indication that in the great majority of the selected areas the taxpayers are not receiving the degree of equity in assessment that competent administration could give them, and that in wide sections of the nation they are suffering from a marked lack of equitable assessment. As shown in the Census study, the coefficient of dispersion in residential assessment ranged upward of 40 in 29 per cent of all selected areas. Commenting on Dr. Russell's view that an index of 45 is a "cause for grave concern," one recent assessment study declared that "the consequences of such wide variations in assessed valuations for the amount of the property tax burden of the individual taxpayer is staggering. . . ."[5]

RELATIONSHIP OF UNDERASSESSMENT TO UNIFORMITY OF ASSESSMENT

Two basic features of local assessment practice in the selected assessing areas emerge conspicuously in the preceding review of levels of assessment and of intra-area uniformity of assessment. Varying degrees of drastic underassessment are almost universal, and not more than one-fifth of the areas, according to sales-ratio data, achieve a reasonable degree of uniformity in the assessment of nonfarm houses.

The sales-ratio study of nonfarm houses indicates, further, that inequality of assessment tends to increase as the level of assessment declines. This progression is shown in the following figures, placing all of the selected areas in four groups according to their median assessment ratio and showing the median area coefficient of dispersion for each group.

Median Assessment Ratio for Nonfarm Houses (Per Cent)	*Coefficient of Dispersion, Median Area*
Under 20.0	37.3
20.0-29.9	32.0
30.0-39.9	25.1
40.0 or more	22.2

This relationship between assessment level and coefficient of dispersion is maintained rather consistently among the three types of assessment organization, the only exception being Type B areas with a population of less than 50,000.[6]

That drastic underassessment should tend to produce greater inequality of assessment is readily explainable. In his assessment of houses the assessor is less likely to be concerned with deviations from the norm in terms of hundreds of dollars, when he is assessing at a small fraction of full value, than he would be with deviations in terms of thousands of dollars, when assessing at a large fraction of full value, although percentage-wise the first deviation may be much larger. The house owner, likewise, is likely to be less alert to inequalities of assessment when his house is assessed at only a small fraction of its value.

The resulting unequal burden on the taxpayers is shown in the following simple illustration. Houses A, B, and C have an identical sales price of $20,000. Two hypothetical assessment situations are shown, one where the assessor is try-

[5] *County Property Tax Assessment in Florida, op. cit.*, p. 51.

[6] *Taxable Property Values in the United States, op. cit.*, Table 17.

		Assessment at 80% Level			*Assessment at 20% Level*		
House	*Sales Price*	*Assessed Valuation*	*Ratio*[a]	*Share of Tax*	*Assessed Valuation*	*Ratio*[b]	*Share of Tax*
A	$20,000	$14,000	70.0	$280	$3,200	16.0	$256
B	20,000	16,000	80.0	320	4,000	20.0	320
C	20,000	18,000	90.0	360	4,800	24.0	384
				$960			$960

[a] Coefficient of dispersion 25.0.
[b] Coefficient of dispersion 40.0.

ing to assess at 80 per cent of full value but assesses C at $4,000 more than A, the other where he is trying to assess at 20 per cent but assesses C at $1,600 more than A. The total tax on the three houses is $960 in both instances. With equal assessment, each property will pay $320; but under the first situation, where the coefficient of dispersion is 25, the tax on C will be 28.6 per cent higher than on A. Under the second situation, with a coefficient of 40, the tax on C will be 50 per cent higher than on A.

It would appear, from the assessment level-coefficient of dispersion relationship disclosed in the study, that deep underassessment is a species of built-in hazard in the assessing process. Equality of intra-area assessment, difficult to obtain under the most favorable conditions, is much more difficult even to approximate with assessment at minor fractions of full value. There is considerable doubt, for this reason, that the shotgun-wedding type of legislation now being adopted or urged to make such underassessment legitimate is a sound remedy for inequity.

MEASURING REGRESSION IN ASSESSMENT[7]

The sampling study of sales of nonfarm houses disclosed, also, a measurable degree of intra-area regression in the assessment of these properties—lower assessment ratios for the higher-priced houses. The effect of the regression is, of course, that the lower-priced houses pay a disproportionately large share of the property taxes. A major reason for this inequality is the greater difficulty in assessing higher-priced houses. Some of the refinements of structure, finish, and equipment that contribute to the value of such houses do not lend themselves to the appraisal standards used by the average assessor.

When this regressive tendency is examined at different levels of assessment, it is found to increase as the level of assessment declines. This finding reinforces the disclosure respecting intra-area coefficients of dispersion, reviewed above, that assessment becomes progressively less uniform as the degree of underassessment increases.

The degree of regression in the assessment of sold houses in any given assessing area was measured quantitatively in the Census study by determining the price-related differential. This is derived by dividing the mean assessment ratio for the sample sales by the sales-weighted assessment ratio.

The mean ratio is the sum of the individual ratios divided by the number of items. This ratio is a measure of the level of assessments that takes no account of the value of the properties involved.

The sales-weighted ratio is derived by dividing the aggregate assessed value by the aggregate sales value. This ratio, unlike the mean ratio, is weighted in favor of the ratios of the higher-priced properties. If the ratios for the higher-priced properties are higher than the ratios for the lower-priced properties, the sales-weighted ratio will be higher than the mean ratio, and the price-related differential will be less than 100 per cent. If, on the other hand, the ratios for the higher-priced properties are lower than the ratios of properties in general (as indicated by the mean ratio), the sales-weighted ratio will be lower than the mean ratio, and the price-related differential will be over 100 per cent. The extent to which it exceeds 100 per cent marks the degree of regression.

The following example shows how the price-related differential is derived. Alpha County yielded seven sample sales of houses during a 6-month period of 1956, showing the following sales prices, assessed valuations, and assessment ratios. The general level of assessment in the area

House	*Sales Price*	*Assessed Value*	*Ratio*
A	$ 6,000	$ 4,200	70.0
B	7,500	4,875	65.0
C	8,500	6,375	75.0
D	10,000	5,000	50.0
E	10,500	4,200	40.0
F	14,000	4,200	30.0
G	18,000	6,300	35.0
	$74,500	$35,150	365.0

[7] This summary is based on Table 17 in *Taxable Property Values in the United States, op. cit.* Reference should be made to that table for statistical detail, and to p. 13 of the report for comment on the price-related differential.

was around 50 per cent and the coefficient of dispersion as indicated by the sold houses was 30. The lower assessment ratios for the higher priced properties indicate some degree of regression. In this instance, the mean assessment ratio is 365.0 per cent divided by the number of items, 7, or 52.1 per cent. The sales-weighted assessment ratio is the aggregate assessed value, $35,150, divided by the aggregate sales price, $74,500, or 47.2 per cent. The mean ratio divided by the sales-weighted ratio is 110.4 per cent—the price-related differential or index of regression.

Application of this measure to the sold houses in all selected areas discloses a price-related differential of assessment ratios in the median area of 107.6 per cent. When the selected areas are classified according to the kind of assessment organization, the price-related differential for the median area in each group shows regression, though there is some range in degree. The lowest differential, 103.9, is that in areas of Type C having a population of 50,000 or over; the highest, 111.9, is that in areas of Type B having a population of less than 50,000. In areas of all three types of organization, the regression is greater in areas with a population of less than 50,000 than in the larger areas.

When the selected areas are classed in four groups according to their median assessment ratios, and the price-related differential of the median area in each group is determined, the differential is found to rise as the median assessment ratio declines. In areas where the median assessment ratio is 40 per cent or more, the median price-related differential is 104.1; in areas where the median assessment ratio is under 20 per cent, the median differential is 111.3.

RELATION OF ASSESSMENT RATIOS TO AGE OF HOUSES

One of the more perplexing problems of assessment is how to make equitable allowance for the various ages of structures—how to assess buildings of all ages and conditions at a uniform relation to market value. The relation of this problem to the assessment of nonfarm houses is so generally evident as to require little identification. New houses are relatively easy to assess, but houses that range back through the various age brackets take on assessing complications. Considerations of depreciation have to be weighted against changes in price level. The factor of obsolescence arises in respect to style, utility, and changes in neighborhood conditions. Sales prices of less desirable types of dwellings may be influenced abnormally by relatively temporary conditions of undersupply or oversupply of housing, and, in any event, actual sales rarely provide a guide to the market value of all kinds, ages, and conditions of structures.

The sales ratio study of the 1957 Census of Governments produced sufficient data to permit some evaluation of the age factor in assessing single-family nonfarm dwellings on a statewide basis, but insufficient data to cover comparatively all of the selected local areas. Average assessment-sales ratios, by states, were computed separately for houses built since 1949, during 1945-1949, and before 1945. The simple sales-based ratios for these three groups and for all houses sold are compared in Table 11, above.

This comparison discloses no generally consistent variation in average assessment level among the three age groups. In the great majority of individual states there is relatively little difference among the three ratios, and such variations as there are present no uniform pattern. The houses built before 1945, for example, have the highest of the three ratios in 15 states but have the lowest of the three ratios in 15 other states. There is, evidently, some tendency to assess the older houses at higher percentages of sales prices than houses built since 1949; but this tendency applies more to the 1945-1949 group than to the pre-1945 group. Houses built during 1945-1949 have the highest ratios in 19 states, whereas houses built since 1949 have the highest ratios in only 12 states and have the lowest ratios in 27 states. In New York, however, where by far the widest divergence is shown, the ratio for pre-1945 houses is 41 per cent; for 1945-1949 houses, 34 per cent; and for houses built since 1949, 32 per cent. This situation in New York has the special explanation

that the bulk of single-family houses built in the state since 1949 have been constructed in areas outside of New York City where the general level of assessment is considerably lower than in that city. Undoubtedly there are internal variables in other states. The average state ratios, therefore, should not be considered as indicating the age-group assessment differentials for individual local assessing areas.

ASSESSMENT UNIFORMITY IN MAJOR LOCAL AREAS

Included in the 1,263 selected areas covered by the 1957 Census of Governments in its survey of local real property assessment were 395 areas that had a population of 50,000 or more in 1950. Because these areas clearly are large enough to have professional assessment administrations capable of producing a reasonable degree of uni-

TABLE 14

MAJOR LOCAL ASSESSING AREAS WITH INTRA-AREA COEFFICIENTS OF DISPERSION OF 20 PER CENT AND LESS, 1956

Area[a]	Per Cent	Area[a]	Per Cent	Area[a]	Per Cent
Los Angeles, Calif.	7.0	Baltimore, Md.	16.3	Cuyahoga, Ohio	18.4
Arlington, Va.	9.6	Broward, Fla.	16.3	Wake, N. C.	18.4
Quincy city, Mass.	9.6	Broome, N. Y.	16.4	Woonsocket city, R. I.	18.4
Cranston city, R. I.	10.2	Franklin, Ohio	16.4	St. Louis, Mo.	18.6
DeKalb, Ga.	10.4	Harford, Md.	16.4	Stamford city, Conn.	18.7
Kenosha city, Wis.	10.6	Orange, Calif.	16.4	Salt Lake, Utah	18.8
Cleveland, N. C.	11.0	Somerville city, Mass.	16.4	Scott, Iowa	18.8
Montgomery, Md.	11.8	Durham, N. C.	16.5	Alameda, Calif.	18.9
Washington, Md.	12.0	Lancaster, Nebr.	16.5	Anne Arundel, Md.	18.9
Malden city, Mass.	12.1	Mecklenburg, N. C.	16.5	Denver, Colo.	19.0
Alexandria city, Va.	12.2	Contra Costa, Calif.	16.8	Hamilton, Ohio	19.0
Madison city, Wis.	12.3	Milwaukee city, Wis.	16.8	Ventura, Calif.	19.0
Alachua, Fla.	12.4	Palm Beach, Fla.	16.8	Merced, Calif.	19.1
New Britain city, Conn.	12.5	Worcester city, Mass.	16.8	Bergen, N. J.	19.2
Fairfax, Va.	13.0	Pinellas, Fla.	17.0	Dade, Fla.	19.3
Racine city, Wis.	14.1	Sacramento, Calif.	17.0	Hampton city, Va.	19.3
Summit, Ohio	14.3	Johnson, Kans.	17.2	Prince Georges, Md.	19.3
Hartford city, Conn.	14.6	Stanislaus, Calif.	17.4	Lorain, Ohio	19.5
Norfolk, Va.	14.7	Comanche, Okla.	17.8	San Diego, Calif.	19.5
Kitsap, Wash.	14.8	Green Bay city, Wis.	17.8	Fayette, Ky.	19.6
Santa Clara, Calif.	15.0	Medford city, Mass.	18.0	Ada, Idaho	19.8
Springfield city, Mass.	15.0	Orange, Fla.	18.0	Campbell, Ky.	19.8
Jackson, Oreg.	15.1	Delaware, Pa.	18.1	Galveston, Tex.	19.8
Tuscaloosa, Ala.	15.2	Lucas, Ohio	18.2	Nueces, Tex.	19.8
San Mateo, Calif.	15.4	Arapahoe, Colo.	18.3	Monterey, Calif.	19.9
Davidson, N. C.	15.8	Chester, Pa.	18.3	Dallas, Tex.	20.0
Richmond city, Va.	16.0	New Castle, Del.	18.3	Bridgeport city, Conn.	20.3
Berks, Pa.	16.1	Portsmouth city, Va.	18.3	El Paso, Colo.	20.3
Holyoke city, Mass.	16.2	Riverside, Calif.	18.3		

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States* 1959 (1957 Census of Governments, Vol. V), Table 22.

[a] County except where otherwise designated.

formity of assessment, the findings of the survey respecting actual performance in these individual areas are worth special attention.[8]

The assessment-sales ratio survey of nonfarm single-family houses sold in these areas in a 6-month period of 1956 failed to disclose the uniformly satisfactory quality of assessment that might be expected. The intra-area coefficients of dispersion for the 395 areas indicate good to high quality assessment of houses—i.e., coefficients of dispersion of 20 or less—in more than one-fifth of the areas. At the other extreme, however, the record in one-fifth of the areas was almost unbelievably poor; 81 areas had a coefficient of dispersion of 40 or higher, including 42 areas where this index of inequality ranged upward from 50.

The 86 major assessing areas with coefficients of dispersion of 20 or less in the assessment of nonfarm houses are shown in Table 14. Included in the list are areas of a number of different economic and demographic types, with representation from 27 states. About one-fourth of the areas are city areas, among them residential suburbs, manufacturing cities, and metropolitan commercial, service, and industrial centers. The county areas include numerous metropolitan counties with large or medium-sized central cities, several suburban counties, and a number of counties with small municipalities and more or less extensive rural areas. Included are long established areas, areas of relatively recent development, and areas of rapid growth, slow growth, and no growth.

It cannot be concluded, therefore, that all of these areas rank high in the quality of their assessing because their assessing problems are less difficult than those of the areas with less satisfactory records. Los Angeles County, which heads the list with a coefficient of dispersion of only 7, certainly does not hold this rank without high-quality administration. Any careful scrutiny of the list will disclose numerous areas where housing characteristics are similar to those in areas with high coefficients of dispersion. In all such instances there may be a reasonable presumption that the quality of administration is the differentiating factor.

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[8] The following evaluation of assessment uniformity in these 395 major areas is based on Table 22 in *Taxable Property Values in the United States.* Since that table presents for each of these areas a considerable amount of detail on locally assessed real property and on measurable sales of nonfarm houses in the 6-month period covered by the sales ratio study, only a small portion of which is reproduced here, it should be referred to for more comprehensive and specific information on the individual areas.

These 395 areas, which in 1950 had a population of about 90 million, or 60 per cent of the total for the continental United States, constitute the bulk of the 473 assessing areas with populations of 50,000 or more in 1950 that are included in the 7,690 local assessing areas in the United States as defined for the 1957 Census of Governments.

7

INTERAREA UNIFORMITY IN LOCAL ASSESSMENT ADMINISTRATION

THE GOAL OF UNIFORMITY in property tax assessment calls for interarea, as well as intra-area, equality. Assessment within each local assessing area in a state can show a high degree of uniformity and still cause inequities for the taxpayers and distortions of state-local fiscal policies unless all of the local areas use approximately the same level of assessment or the state uses some effective method of ironing out the differences. Accounting for this complication, as pointed out in the discussion of the problems of assessment administration in Chapter 4, are the numerous purposes, other than that of providing a local tax base, for which local assessed valuations are employed.

A listing of the main collateral uses of local assessed valuations discloses immediately the reasons why interarea uniformity of assessment, or an effective equivalent enforced by the state, is exceedingly important. The more generally employed of such uses are:

1. As a base for the levy of taxes by overlapping governments (variously county, special district, and state).
2. As a base for determining power to tax, when such power is restricted by constitutional or statutory tax rate limits.
3. As a base for determining power to borrow, when such power is restricted by constitution or statute to a percentage of the local assessed valuation.
4. As a base that measures the value of veterans', homestead, and other partial tax exemptions that are stated in dollar amounts of assessed valuation.
5. As a base, or factor in the base, on which state assistance to local governments is apportioned.

All of these secondary uses of local assessed valuations are designed to obtain a uniformity of local application that they do not get when there is inequality of interarea assessment. If, for example, two assessing areas in the same county assess at 30 per cent and 60 per cent, respectively, of full value, the former will pay less than its share of county taxes, give its veterans two times as much tax exemption as the other area, and perhaps get a disproportionate share of state school aid; but, on the other hand, it will have limited the use of its taxing and borrowing resources to one-half that of the other area. Still another form of inequity emerges when the state assesses property on a uniform basis for local taxation at local tax rates whose fluctuations from one area to another are due partly to varying assessment levels.

INTERAREA DIFFERENCES IN ASSESSMENT LEVEL, BY STATES

While the laws of nearly all of the states require uniform levels of local assessment, interarea differences in assessment level appear in all states and are very marked in some states. For purposes of interstate comparison, the Census used the assessment-sales ratios developed in 1,263 selected areas for nonfarm houses. The areas were grouped by states, classified according to the varying levels of their median assessment ratios, and the interarea coefficient of dispersion was computed for each state. This measure is derived by determining, for the selected areas in the state, the average deviation of their median ratios from the median area ratio and dividing this average deviation by the median ratio of the median area. In the

following illustration, the state has 5 selected areas.

Area	*Median Ratio (Per Cent)*	*Deviation from Median Area Ratio*
1	20.0	15.0 percentage points
2	25.0	10.0
3	35.0 (median area)	0.0
4	40.0	5.0
5	45.0	10.0
		40.0
Average deviation		8.0
Interarea coefficient of dispersion (8.0, the average deviation, divided by 35.0, the median area ratio) =		22.9 per cent

The interarea coefficients of dispersion for the 48 states ranged from a low of 10 in Oklahoma to a high of 46 in Montana. As compared with 21 states having a coefficient of less than 20, only 3 had a coefficient of 40 or higher. The grouping for the states was as follows:[1]

Interarea Coefficient of Dispersion	*Number of States*
Under 15.0	13
15.0—19.9	8
20.0—24.9	6
25.0—29.9	13
30.0—39.9	5
40 or over	3

The states with an interarea coefficient of dispersion of 15 or lower and those with a coefficient of 30 or higher are listed in the following tabulation.

States 15 or Lower		*States 30 or Higher*	
California	15	Maine	42
Connecticut	14	Minnesota	36
Delaware	12	Montana	46
Idaho	13	South Dakota	38
Illinois	11	Tennessee	33
Indiana	11	Texas	30
Kentucky	13	Virginia	40
Maryland	13	West Virginia	30
Missouri	13		
Nebraska	12		
Ohio	12		
Oklahoma	10		
Utah	13		
Wyoming	11		

[1] For state-by-state details, reference should be made to *Taxable Property Values in the United States, op. cit.*, Table 18.

Since these indexes are computed from data on selected areas that are not perfectly representative of all sizes of local areas in individual states, they tend to show only approximately the degree of interarea inequality for each state; but they serve reasonably well for broad purposes of interstate comparison. In most of the states indicated to have a relatively high degree of uniformity, state regulation of local assessing has probably been a factor. For example, California's Board of Equalization and Kentucky's Department of Revenue issue equalization orders to county assessing agencies from time to time; the low index in Illinois reflects the form of state equalization described elsewhere;[2] in Indiana, a complete reassessment of real estate was undertaken in 1949 under provisions of a statute setting the rate of assessment at not to exceed 33 1/3 per cent; and in Ohio, the Hoffman Act brought statewide equalization with an increase in assessment level in 1952 and the State Board of Tax Appeals specifies to each county every 6 years the amount to be added or deducted from the local valuation for purposes of uniformity.

The high indexes of interarea inequality are due to a variety of special causes; but, in general, no satisfactory degree of interarea uniformity is to be expected, in view of the local character of assessment administration, without active state supervision. A high-index state may have inadequate laws governing assessing and state supervision, or it may have failed to provide the supervisory agency with adequate resources to carry out its responsibilities. In Minnesota, it has been stated that "the principal handicap to more effective equalization and review at the State level appears to be insufficient staff. Technical positions remain unfilled because the salary authorized does not attract men with the necessary qualifications."[3] In Tennessee, where some progress is being made on county equalization programs as the result of 1947 legislation authorizing the employment of technical aid for this purpose and subsequent urging by

[2] See pp. 13, 73.

[3] Governor's Minnesota Tax Study Committee, *op. cit.*, p. 163.

state supervisory officials, the executive director of the State Board of Equalization describes the past situation, which probably is fairly typical of some other states, as follows:

> Over the years property assessments in the great majority of Tennessee counties have got sadly out of line, one with another. There are many reasons for this, of which we need mention only a few. One of the main reasons, probably, is that we are still operating under an Assessment Act passed in 1907. This act was an excellent one—for 1907—but it was designed for a horse-and-buggy age and not for the conditions found in Tennessee today. Other contributing factors have been the low salaries paid to assessors and the inadequate help allowed them. In many counties the assessors' salaries are still those which were established by the 1907 act.[4]

While the coefficient of interarea dispersion is a useful index for interstate comparison, it does not disclose the varying patterns of dispersion of assessment levels in the selected areas of individual states. In many instances the range is very wide. In 19 states, for example, the distribution covers 6 or more of the 8 ratio classifications (from "under 10 per cent" to "50 per cent or over") that were used in the Census study.

[4] Cecil Morgan, "Eleven Counties Start Assessment Reform," *Tennessee Planner,* XVIII, No. 2 (Oct.-Dec. 1958), 43.

8

THE REGULATORY ROLE OF THE STATES

FOR MORE THAN ONE HUNDRED YEARS state governments have been trying in one way or another to correct defects of local property assessment. In view of the considerably less than perfect results obtained, the conclusion must be either that their efforts have not been so skillful and zealous as they should have been or that the job is impossible of accomplishment. That good quality assessing exists in one-fifth of the 1,263 assessing areas covered by the special studies of the 1957 Census of Governments denies the second conclusion; but it raises a question of why the states have permitted continuance of mediocre to poor assessing in wide sections of the nation.

The efforts of the states have included provision for (1) review of original local assessments; (2) county and state supervision and equalization; (3) centralized state assessment of railroad and other public utility property; and (4) strengthening of local assessing organization and administration—all recognized means for obtaining high-standard assessment administration. But the adoption, promotion, and refinement of these devices and procedures have been slow and spasmodic over the years, as the following summary will show.[1] The professional and financial resources devoted to these purposes, at best, have been less than needed; and more often than not, they have been conspicuously inadequate. A recent development that holds some hope for the future of the property tax, and of local self-government, however, is the accelerated and widened interest in the problems involved, and in the intensive exploration of means by which the states may better meet their responsibilities in property tax administration.

EMERGENCE OF STATE RESPONSIBILITIES

In the first half of the nineteenth century, when the property tax was assuming its comprehensive form as a general property tax and assessing was becoming an appraisal job rather than primarily just a listing job, procedures for the administrative review of local assessments developed in most of the states. This development centered in the creation of local boards of review to hear the protests of taxpayers and to check the work of the assessors. In some states county boards of review were set up, also ex officio, to equalize assessments among local taxing units within each county. While this development facilitated the taxpayer's exercise of his right, under due process, to a hearing on his property assessment, it does not appear to have contributed very much to equality of assessment.

State property taxes, levied on local assessed

[1] Illustrative of the time sometimes required for the development of constructive state action is the following comment from Oregon. Tax Commission, *23rd Biennial Report, 1954-1956* (Salem: The Author, 1957), p. 2: "Abortive efforts were made to establish a State Board of Equalization for the purpose of attaining inter-county equalization as far back as 1872, and again in 1885. A board, with very limited powers, was created and operated for a five year period in the 1890's. However, no real all-around equalization program developed from these limited efforts until the advent of the present State Tax Commission and its 1951 reappraisal program."

valuations and collected locally, came into prominence in this period, necessitating equalization among local assessing jurisdictions. Around the middle of the nineteenth century a few of the states began experimenting with state boards of equalization. In 1859, for example, the New York State legislature established such a board, following a recommendation by Governor Morgan in which he criticized severely the system of local assessment. Within the next twenty years or so most of the states had adopted this device; but state boards of equalization in their early forms could only equalize assessments among local assessing districts for state tax purposes, had no power to order a local reassessment of property, and usually had an ex officio personnel with neither the knowledge nor the time to function effectively.

In the 1870's and 1880's there was a widespread movement to centralize the assessing of railroad property under these state boards of equalization and also the beginnings of state assessment of the property of other types of public service enterprises.

Before the close of the nineteenth century the emergence of state tax commissions marked the initiation of another stage in the development of state-administrative responsibility for property assessment. These agencies were headed by full-time commissioners, usually appointed, and in addition to the function of assessment equalization they generally were given some supervisory authority over local assessment administration. Usually they replaced the ex officio boards of equalization; but in some instances the latter continued under constitutional mandate, creating jurisdictional problems. Not more than 10 such agencies, however, were in operation at the close of the nineteenth century.

In the past forty or fifty years there has been considerably more progress in improving assessment administration than in the earlier years of experience with the property tax. As might be expected under 49 different property tax systems, administered under thousands of local jurisdictions, progress has been notable in some states and some areas and has lagged in others. In this period property tax administration has been a beneficiary of general improvement in public financial administration, an increasing professionalization of assessment administration, and further centralization in the state governments of responsibility for equalization and supervision.

Taxpayer pressure, not always so discriminating as it is fervent, also has been a factor. Such pressure reached an explosive stage in the 1930's, when local government financial operations in a financially critical period focused attention not only on the weakness of all phases of property tax administration but on the often unwieldy form of the tax and on the over-heavy dependence on it in some jurisdictions. Improvements in assessment and collection administration resulted; but various pressure groups in some states were able to take advantage of the austerities of the times to hedge the property tax with new exemptions and disabling limitations without much regard for suitable replacements.[2]

The popular urge for reform has again been gaining momentum since World War II—this time in an inflationary environment in which both rising taxes and the important role of assessed valuation in apportioning increasing state school aid have emphasized the need for assessment equalization.

AREAS OF RECENT CONSTRUCTIVE ACTION

At the local level, many municipalities have in recent years made marked advances in their government organization and methods of management. In the modernization of their fiscal administration, assessment administration has not been neglected; the work has been made the responsibility of trained assessors, equipped with the necessary tools and techniques. This progress has represented local effort. Since it has been handicapped in some instances by state constitutional

[2] See T. F. Haygood, "Over-all Tax Limits in West Virginia"; Donovan F. Emch, "The Effects of Tax Limitation in Ohio"; and Walter P. Fuller, "The Florida Movement to Abolish the Property Tax," in Tax Policy League. *Property Taxes; Symposium . . . December 27-29, 1939 in Philadelphia, Pennsylvania* (New York: The Author, 1940), pp. 70-79.

provisions requiring the election of local assessors or imposing obstacles to constructive legislative revision of the property tax, no uniformity of progress is to be expected if the matter is left solely to the efforts of local governments.

State advances during this period in organization for fiscal administration have contributed in a general way to the improvement of assessment administration by providing professional staffs at the state level for tax research and administration. As compared with a handful of state administrative tax commissions fifty years ago, all of the states now have such commissions or their equivalent. Whether these agencies are separate commissions, single commissioners, or divisions of unified finance departments, most of them have divisions or sections specializing in property assessment supervision, equalization, and some actual assessment. There is increasing recognition, however, that in the great majority of the states more power, organization, and money are needed to do the kind of a job that is called for.

The increasing professionalization of state and local tax administration and the development of tax study and research have made, and continue to make, valuable contributions to the advancement of assessment administration. The work of professionally trained assessors, tax and appraisal consultants, and tax economists in the state tax commissions, universities, and governmental research bureaus has not only produced better assessing and equalization in the specific areas of their operations but has had a much wider educational value. The two national organizations of tax administrators, the National Association of Assessing Officers and the National Association of Tax Administrators, exert a wide influence through their publications, conferences, and advisory services. In an increasing number of states the provision by state agencies of assessing manuals, sales ratio studies, and conferences and in-service training for assessors, as well as publication of the findings of tax study commissions, is contributing to general improvement of assessing standards.

The means for obtaining high-standard assessment administration are well known professionally. The first prerequisite clearly is to eliminate from the general property tax base both intangible personalty and those kinds of tangible personalty that are unduly difficult for the assessor to locate and appraise—to make the assessor's job one that is feasible to handle competently and in accordance with the tax law. The present situation, as described in Chapters 1 and 3, is one of an infinite variety of policy among the states, ranging from a few states that have narrowed the general property tax base to real property, to a few others that maintain the legal fiction of taxing virtually all classes of property at the full ad valorem rate.

The other means relate primarily to administration. They call for local assessing areas large enough to support full-time assessing staffs; appointment of well-trained, professional assessors; state assessment of public utility and industrial property lying in more than one local jurisdiction or requiring specialized types of expert appraisal; improvement of provisions for administrative review of original assessments; regular and systematic state equalization of local assessments; and effective state supervision of local assessment work.[3] A few representative illustrations of what is being done about these matters in some of the states most actively concerned with solving the problems of property assessment will show why there are some grounds for encouragement.

Organization and Personnel

Some progress has been made in eliminating the township assessor, to whom, as one authority commented, "some states cling with a touching though misplaced fidelity";[4] but the goal of having all assessing jurisdictions large enough to em-

[3] These prerequisites for sound assessing have been urged for many years. A committee of the National Tax Association included a listing of them in its second report on a model plan of state and local taxation in 1933. National Tax Association, "Second Report on a Plan of a Model System of State and Local Taxation," in National Tax Association, *Proceedings of the Twenty-sixth Annual Conference on Taxation . . . Phoenix, Arizona, October 16-19, 1933* (Columbia, S. C.: The Author, 1934), pp. 408-409.

[4] Jens P. Jensen, *Government Finance* (New York: Thomas Y. Crowell Co., 1937), p. 247.

ploy full-time, professional assessors, and of choosing assessors on the basis of technical qualifications instead of by popular election, is still far short of attainment.

The state of Iowa has taken what is probably the most forthright action among the states in recent years to get rid of part-time assessors and place property assessment on a professional, nonpolitical basis.[5] Under the County Assessor Act, adopted in 1947, the local assessing areas, manned by some 2,500 part-time assessors, were abolished and assessing was made a countywide responsibility in the state's 99 counties and a city responsibility in the 21 cities with populations of over 10,000. All assessing is in charge of full-time assessors, appointed for 4-year terms, who must qualify for the position by examination—given for county assessors by the State Tax Commission, and for city assessors by a board appointed by the city council, the city school board, and the county board of supervisors. Deputy assessors also must take qualifying examinations. Appointments are made by specially constituted committees: county assessors by a committee comprising members of the board of supervisors, local mayors, and members of school boards, voting as group units, and city assessors by the aforementioned examining board, subject to approval by the State Tax Commission.

One of the effective means of improving organization for assessment has been the centralization in state agencies of the responsibility for assessing railroad and other public utility property. A minority of states still leaves this function entirely or partially to local assessing areas, as shown in Chapter 3; but a few states, on the other hand, have extended centralized assessing to mineral and industrial property and various kinds of personalty. State assessing has the advantages of solving local jurisdictional problems in the instance of large properties located in several local areas; of being able to provide appraisal specialists, who are beyond the means of the smaller areas, to assess complex types of property; and of avoiding to some extent the duplication of staffs of specialists in the larger local areas. Oregon has given recent recognition to these advantages by providing for state assessment of large industries and all standing timber in the state, the latter step moving away from a situation that has been described as chaotic.[6]

Provisions for Review of Assessments

The completion of the original assessment roll by the assessor does not complete the assessment process. Under due process of law, any taxpayer who believes that his property is overassessed is entitled to a hearing; there may be omissions from the roll or errors in the roll; and the roll may not meet the uniformity requirements of the law. Thus, provision must be made for review and equalization. These two terms frequently are used interchangeably and the processes that they designate often are the responsibility of the same agency; but the former is concerned with the alteration of individual assessments and the latter with the alteration by a uniform percentage of the assessed valuation of a whole group of properties.[7]

For the average taxpayer's right of appeal to have much practical value, there must be some kind of provision for prompt, inexpensive, impartial, and competent administrative review. Because the assessor may not be entirely impartial when his judgment is questioned, the plan of setting up independent boards of review (separate from the courts) was initiated many years ago, and such agencies, in one form or another, exist in almost all of the states. In a few states there is little or no opportunity for appeal except to the courts. A board of review, under authority to act

[5] For details on this program, see George Cosson, Jr., "Progress in Administrative Organization and Procedures in Iowa," in National Tax Association, *Proceedings of the Forty-fifth Annual Conference on Taxation . . . Toronto, Canada, September 9-12, 1952* (Sacramento, Calif.: The Author, 1953), pp. 397-404.

[6] For a discussion of timber tax problems in Oregon, which has more than one-fifth of the nation's timber, see John F. Sly, *A Tax Program in Oregon, Conclusions and Recommendations; Final Report for the State Advisory Committee* (Eugene: Department of Planning and Development, 1958), pp. 28-34.

[7] For a technical explanation of the distinction see National Association of Assessing Officers, *Assessment Organization and Personnel, op. cit.*, pp. 241-242, 288.

on its own motion or only on appeal, has, variously, such duties as lowering or raising individual assessments, adding omitted taxable properties to the roll (after due notice and opportunity for hearing), removing listed tax-exempt property, and correcting clerical errors. There are many thousands of local review agencies—in some states they exist at both the township and county levels, and in well over one-half of the states there are state administrative review agencies.

Excellent in principle, these arrangements in many jurisdictions are less than satisfactory in practice. The local boards often comprise the township governing board, city council, county board of supervisors, or other public officers, including the assessor, serving ex officio and for limited periods; sometimes they are elected, without any specified professional qualifications; and the vast majority of the areas served are too small to permit the use of full-time administrative or technical personnel. The state review agency usually is the state tax commission or board of equalization, the latter sometimes having an ex officio membership, though a few states have appointive boards of tax appeals. Representative of the more satisfactory types of arrangement is that in New Jersey, where county boards, appointed by the governor, are authorized to employ full-time assistance, and a State Board of Tax Appeals, also appointed by the governor, must include in its membership of seven at least two attorneys.[8]

In conjunction with its elimination of small assessing areas and provision for appointment of well-qualified assessors, Iowa also undertook to improve its organization for administrative review of assessments. A single county board of review in each county was established, with separate city boards of review in cities having their own assessors. These boards are appointed by the same conference boards that appoint the assessors, and the members of the county boards, 3 or 5 in number with overlapping terms, are required to be from different townships in the county and to include a farmer, an experienced builder, and a registered real estate broker. The State Tax Commission, additionally, was given broad powers of review and equalization. It can reconvene boards of review and order them to make revisions and adjustments in assessments; it can order a reassessment in any taxing district; and it can at any time raise any individual assessment, but it cannot reduce individual assessments except upon recommendation of the board of review. The commission also is responsible for equalizing the assessments of the cities and counties, and of various classes of property, in the state.[9]

As boards of appeal for taxpayers who are inequitably assessed, boards of review are only of theoretical rather than of practical value when the taxpayer is in the dark as to the fairness of his assessment. Because of the generally prevailing practice of assessing at undefined levels far below the legal standard, the average taxpayer has no means of knowing, or proving, that his assessment at, say, 40 per cent of full value is twice the average in the area. The 1955 Oregon legislature adopted some unusual measures to remove this predicament of the taxpayers. The Oregon laws permit the individual counties to determine the percentage of market value at which all property is to be uniformly assessed; but in 1955 the legislature provided that each assessor must make an annual sales ratio study, under standard provisions formulated by the State Tax Commission, and must post the results of the study on the door of his office. The county boards of equalization are required to review these studies and amend them if necessary. The State Tax Commission then makes a final review and if it finds that any ratio is off by 10 per cent or more from a ratio determined by its own studies it substitutes the latter. A ratio off 20 per cent or more constitutes grounds for prosecuting the assessor. A taxpayer petitioning for a reduction in assessment need show only that his property is overassessed on the basis of the established county ratio. (ORS 309.026-309.036; 309.410; 309.105)

[8] For a somewhat out-of-date but still very informative study of boards of assessment review, see National Association of Assessing Officers, *Assessment Organization and Personnel, op. cit.*, pp. 239-264, 397-420.

[9] See George Cosson, Jr., *op. cit.*, pp. 398-99.

Equalization of Assessments

To try to counteract the inequitable effects of unequal levels of assessment among the different assessment areas in a county or state and among different classes of property within individual areas, the states have long used the process of equalization; and in recent years an increasing number of them have been refining the process and extending it to a greater variety of purposes. The earlier discussion of interarea and interclass inequalities in assessment pointed up the great necessity for effective equalization.

The reason for such need can be summarized very simply. First, whenever any government—state, county, school district, or special district—uses as its property tax base the assessed valuation of more than one underlying assessing area, a proper adjustment must be made for any variation of assessment level in these areas to keep some groups of taxpayers from paying less, and some more, than their fair share of taxes. Second, there is a like need for equalization when property in the same assessing areas is assessed by different agencies—as occurs when some locally taxed property is centrally assessed by the state. Similarly, in the third place, there is call for equalization when different classes of property in the same area are being locally assessed at different levels. Fourth, interarea equalization is necessary to avoid distorting the collateral uses of assessed valuation —apportionment of state grants and shared taxes, limitation of local taxing and borrowing power, and evaluation and comparison of the taxable resources of local governments.

Two general methods are used by state equalization agencies to equalize assessments. One is to order increases or decreases in the aggregate assessed valuations of individual local assessing areas in order to bring them into line with a uniform standard. The other is to leave the assessed valuations of the local areas unchanged, but to use a variable adjustment ratio for certain purposes such as the apportionment of state aid or the determination of the varying levels of value at which the assessed valuations of state-assessed property should be certified to local taxing districts for local taxation. An alternative to the former of the two methods, used in a few states for equalizing taxes levied by an overlapping government, is to vary the tax rate rather than to adjust the assessed valuations.

All but a few of the states have state agencies with more or less authority to equalize assessments, and usually there are county equalization agencies in states where the original assessing is done by the townships and municipalities. A great majority of the county agencies and roughly one-half of the state agencies combine equalization and review functions. The powers of equalization of the state agencies (board of equalization, tax commission, and so forth) vary considerably among the states, and the inclusion of broad authority in the statutes gives no assurance that organization and appropriations are sufficient for its effective use.[10] The efforts of some of the states have been very perfunctory, and there was a tendency, also, as the states abandoned or minimized their use of the general property tax for state purposes, to pay less attention to its local administration.

Several influences, however, have been reviving and strengthening state interest in centralized responsibility for property tax administration—both in the specialized area of equalization and in general supervision. One has been the rising need of local governments for more revenues and the realization by some state governments that better local property tax administration is one alternative to ever-increasing state aid. Another has been the inability of the states to assess equitably the properties of public utilities under their direct assessment jurisdiction without adequate information respecting the degree of local underassessment. Still more influential has been the necessity for accurate state equalization of local assessed valuations because of their extensive use in formulas designed to distribute state school aid in proportion to local need.

The validity of assessment equalization programs depends on the reliability of the data on which they are based. Such programs range from

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[10] For an analysis of equalization agencies see National Association of Assessing Officers, *Assessment Organization and Personnel, op. cit.*, pp. 288-322.

the rather perfunctory type, in which the state agency accepts the assessment ratios certified by the local assessing areas and adjusts them to a uniform level, to the more effective type, in which the state makes annual sales ratio studies, sampling appraisals, or both. An increasing number of states have undertaken systematic programs. In 1955, according to the Federation of Tax Administrators, 19 states were engaged in scientific equalization programs and 6 of these states and 8 others were carrying on revaluation programs.[11]

The extent to which these studies are used for the various purposes of equalization, summarized above, is far from uniform among the states. In Pennsylvania, one of the first states to undertake regular sales ratio studies, the data are used only for apportioning school aid. In New York, on the other hand, they are used to help apportion school aid and town highway aid, to offset the effect of underassessment or overassessment on the productivity of local tax rate and borrowing limits, to equalize some assessments of state assessed, locally taxed property with local assessments, to apportion taxes and costs in several kinds of local joint districts and joint operations, and to help adjust maximum rents under the rent control law. They may be used, though not mandatorily, to allocate county taxes among local taxing districts within the counties.[12]

Reviewing in 1955 a study by the specially constituted New York State Board of Equalization and Assessment that had completely revised the state's equalization ratios, Rosalind G. Baldwin, consultant to the board, compared the situation in the state before and after.[13] A committee on constitutional tax and debt limitations appointed by the state comptroller in 1947 found that taxing and borrowing powers had been artificially curtailed by underassessment, that the few municipalities that had undertaken to rectify the situation by raising their assessments "had ended up by paying larger shares of the county tax," (p. 513) and that under the constitutional provision reserving the assessment function to local officials the state could not step in and increase local assessments. The committee proposed that the tax and debt limits of each local unit be based on the full value of its taxable property and that full value be determined by the use of the state equalization rates. These recommendations were implemented by constitutional amendments, which became effective in 1950 for taxes and in 1952 for debt. The key to successful operation of the plan was the reliability of the equalization rates. They had been compiled by the state annually since 1912 for cities, towns, and villages, but had become unrealistic and needed revision. The State Board of Equalization and Assessment was established by the legislature in 1949 to do the job, the completion of which required sales ratio studies, supplementary appraisals, and other work extending over a period of 6 years.

Originating in a need for restoring local taxing and borrowing power, this comprehensive equalization program is serving also the other useful purposes noted above. Miss Baldwin cites a number of indirect advantages. More local problems can be solved locally without appeal to the state government. Many localities now have flexibility to choose between increasing property taxes and using some of the "permissive" nonproperty taxes. "Inequities among assessments on individual properties are receiving serious attention from public officials and citizens. New legislation has reduced the cost to property owners of securing decreases in assessments on their properties. Many localities have arranged for complete revaluation of all properties on their assessment rolls. Some counties are paying for complete reappraisals of all the towns and cities in the county." (p. 514) There is now available a reliable estimate of the full value of taxable prop-

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[11] Federation of Tax Administrators, *Equalization Programs and Other State Supervisory Activities in the Property Tax Field; Preliminary Report* (Chicago: The Author, Jan. 1957), 46 pp.

[12] For a digest of the uses made of assessment-sales ratio and appraisal data in 24 states, see Illinois. Legislative Council, *Equalization of Property Tax Assessments* (Springfield: The Author, June, 1957). (Bulletin 3-018.)

[13] Rosalind G. Baldwin, "Property Tax Updated," *National Municipal Review,* XLIV, No. 10 (Nov. 1955), pp. 512-14, 550.

erty in every city, town, village, and school district in the state.

Despite this progress, Miss Baldwin concludes, "New York State and its localities still have a long way to go in improving the property tax. The equalization rate study showed wide variations in assessments, not only among the various types of property on a single assessment roll, but also among individual parcels of the same type of property in the same tax unit." (p. 514) In view of these conditions, the state has created a special advisory committee, with the localities, assessing officials, taxpayers, and the state government represented, to plan and develop a comprehensive program for improving the organization for assessment and the equipment of assessing officers.

The state of Illinois, as noted in a preceding chapter, initiated an equalization program in 1945 for the dual purpose of equalizing the level of assessments of the state's 102 counties and of raising the level to the full-value basis prescribed by statute. Under the "multiplier" system adopted by the legislature, the State Department of Revenue was to determine annually, "through the analysis of property transfers, property appraisals, and such other means as it deems proper and reasonable," the extent to which the assessment level in each county varies from full value and then to certify a figure by which the local assessment is to be multiplied in order to approximate full value. The resulting equalized assessments are the basis for tax limits, debt limits, and formulas for distributing state aid.

This system has been in operation long enough to permit an appraisal of its accomplishments and the Illinois Legislative Council undertook such an appraisal in 1957.[14] The council's report emphasizes the special difficulty of assessment and equalization caused by the requirement of the state constitution that all kinds of property, tangible and intangible, with but few permitted exceptions, be assessed at a uniform relation to true value. In extenuation of the practice of confining the equalization studies to real property, though the multiplier is applied to the entire tax roll, the report cites the prominent place of realty in the tax rolls and "the almost insuperable problems in developing standardized procedures for evaluating the level of personal property assessments."

The program has not accomplished its purpose of equalization at full value, the report indicates. The adjusted ratios, after approaching full value in the initial stage of the program, have been permitted to decline and in 1955 were "about the 50 per cent level, though with some exceptions both above and below that point." (The Census study indicated for Illinois an average level of 46 per cent for locally assessed real property in 1956.) To some extent, this failure to reach the full-value goal has been due to "deflationary adjustments" used by the Department of Revenue, the precise nature of which has had no published explanation in recent years.

The Illinois report indicates, also, that fairly substantial variations exist among the counties in their average equalized valuations—attributed in part to a somewhat less than precise assignment of multipliers. The Census study of interarea variations in the level of assessment within the states, however, indicated a relatively high degree of uniformity for Illinois. The interarea coefficient of dispersion was one of the lowest among the states and the assessment ratios of two-thirds of the assessing areas in the sample were in the 40-49.9 per cent bracket, with the remainder in adjoining brackets.

The moderately successful results of the equalization program, the report emphasizes, apply only to the county level. "As among the townships within any county there has been no effective equalization system and no known attempt on any considerable scale to measure recent variations in assessment levels." The 1957 session of the Illinois legislature, however, as the report indicates, adopted measures to attack this problem. The county boards of review are now required to act as equalizing boards for township assessments; their structure had been strengthened by the specification that the two members named by county judge must be qualified by experience and training and by provision of a full-time clerk in

[14] Illinois. Legislative Council, *op. cit.*

counties of 25,000 or more population; and in the event of failure to equalize by the county boards, the State Department of Revenue is authorized to take remedial action.

Any thoroughgoing state equalization program, directed to rationalize both the main and the collateral uses of assessed values, corrects many inequalities, inequities, and distortions; but the fact that these inequalities have been beneficial to some local areas and some classes of property or persons may bring strong resistance to change. The pattern of distribution of school aid may be altered; it may be found that state-assessed public utility property is being overassessed[15]; and if the method of equalization results in a mandatory increase in the aggregate assessed valuations in some areas it may eliminate the eligibility of some applicants for welfare aid when the amount of the assessed valuation of their property is a factor. For example, violent opposition to California's equalization program, which was to become effective for 1951 assessments, resulted in repeated suspensions of the law by the legislature. Also, if equalization changes the existing values of tax rate and debt limits and partial tax exemptions, a revision of such provisions may be called for.

Interarea equalization does not, of itself, produce more uniform assessing within individual local areas. In general, however, the publicity and the availability of official assessment ratio data that accompany an effective equalization program make both the assessors and the taxpayers more aware of local inequalities, and this influence is reinforced when the state provides continuous supervision of local assessing and requires revaluation where needed.

STATE SUPERVISION

Review and equalization are necessary adjuncts of assessment administration as now conducted in the majority of local assessing areas; but, as one prominent group of assessing experts declared, they "are totally inadequate substitutes for good original assessment," and "it follows that state participation in the assessment process has greater potentialities for good when directed to improvement of original assessments than when directed to subsequent stages of the process."[16] Strengthening of state supervision has been urged again and again by tax specialists and tax study commissions—very recently, for example, by a Connecticut Tax Study Commission, as follows:

> The Commission recognizes that legislative adoption of its own recommendations concerning assessment standards and procedures can have little assurance of accomplishing their purpose without an adequate system of state guidance in their application and methods for measuring results obtained under them.[17]

Most of the states provide by law for some supervision of the local assessment process by a state agency. The supervisory powers provided in the statutes range from very comprehensive and demanding provisions in a minority of states to relatively negligible provisions at the other extreme; but in the majority of states they are sufficient to permit a moderate to high degree of adequacy in supervision. There has been wide-

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[15] The adoption of an equalization program in California raised a question as to whether the level at which public utility property was being assessed by the state violated the constitutional requirement that such property be taxed to the same extent and in the same manner as other property. Public utility property was being assessed at about the 50 per cent level long regarded as the approximate local level of assessment. According to the findings of the State Board of Equalization, however, the local average was no more than half this figure. The legislature's Joint Interim Committee on Assessment Practices was charged with studying the question, and its valuation consultants, reporting early in 1959, made it clear that equity requirements were not being met and proposed, as a solution, that the state constitution be amended to make some percentage of market value, higher than the prevailing average in the state, the standard of assessment, and to direct the State Board of Equalization to bring public utility assessments down to this level gradually over a period of years. (Summarized from Federation of Tax Administrators, *Tax Administrators News,* XXIII, No. 3 (Mar. 1959), 33.)

[16] National Association of Assessing Officers, *Assessment Organization and Personnel, op. cit.,* p. 353.

[17] Connecticut. Tax Study Commission, *Report . . . Property Taxes in Connecticut* (Hartford: The Author, 1959), p. 75.

spread failure, because of inadequate organization, or appropriations, or both, to use these powers effectively; but this situation has an increasing number of exceptions. A few states are doing a reasonably good job of supervision, including one or two where talented and energetic administration is more than compensating for limited legal powers, and there has been encouraging recent progress in a number of states in strengthening the regulatory laws and stepping up supervisory activity.

State supervision of the local assessment process includes, in varying degree, advisory and educational functions and regulatory activities. The former cover such useful services as answering inquiries, explaining the tax laws, issuing informative pamphlets and manuals, visiting local offices, holding conferences, and providing in-service training courses. The latter have to do with issuance of rules and regulations, prescribing forms, requiring reports, assessing omitted property, making or ordering reassessments or reconvening local boards of review for this purpose, and enforcing compliance with the tax laws, including, in a few states, the power to remove an assessor from office for neglect of duty. If local assessing administration were everywhere as well organized and staffed as it is in a minority of local areas, state supervision could confine itself mainly to the cooperative development of technical refinements in assessing; but under the widely prevailing conditions, supervisory efforts have to concentrate on promoting the rudiments of acceptable assessment.

Highly centralized direction and supervision of local assessing apply in the state of Maryland, where the local assessing areas are countywide (including the city of Baltimore, which is not located in a separate county). The State Tax Commission itself assesses, for local taxation, the tangible personal property of ordinary business corporations, the operating property, except land, of railroads and other public utilities and contract carriers, and also distilled spirits. Through its chief supervisor of assessments and local supervisors of assessments, the commission supervises the local assessment of property throughout the state. It appoints the local supervisor (chief assessor) for each county, designates the number of additional assessors to be employed, may remove an assessor for any cause at any time, sets up assessment standards, forms, and procedures, may order general and special reassessments, and carries on technical work of general utility. Its most recent major project has been the development of detailed tax maps for all areas not having them.[18]

In both intra-area and interarea uniformity of assessment, Maryland ranks relatively high, according to the Census study. So great a degree of supervisory authority may not be necessary to achieve good-quality assessing on a statewide basis; but recent progress in other states appears to have been contingent largely on improvement of the regulatory laws, the availability of a competent, energetic state supervisory agency, and the willingness of the legislature to provide funds for an active program of more than temporary character. This conclusion may be illustrated by recent developments in Kentucky and Oregon.

Kentucky is a state of 120 counties, most of them small, rural, and without highly professionalized administration. Assessing is done on a countywide basis under elected assessors (county tax commissioners). A program to improve local assessing in the state has been in progress since 1949, when a special session of the legislature, called partly to consider the problem of local assessment, corrected certain statutory hindrances to good assessing, gave county assessors a better status, authorized the State Department of Revenue to develop a program of assistance to assessors, and appropriated $300,000 for the first year's program.

The basis for the very considerable success of the program has been the competence of the department, its continuous effort, and its policy of seeking the cooperation of the assessors and the public. The program is carried on by a local valuation section of the department's valuation division, the section including a central technical

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[18] See Maryland. Tax Commission, *Twenty-Second Biennial Report . . . January 1959* (Baltimore: The Author, 1959), pp. 8-13.

staff and a field staff. The technical staff develops standard assessment procedures for the county assessors, assists them in assessing complex types of property, and supervises reassessment projects. The field staff operates on an area basis, each member being assigned to work with a dozen counties in installing and using modern assessing methods and equipment.

Supplementary legislation of a constructive nature has been enacted from time to time, such as authorizations for the department to assist cities in conducting property reappraisal projects and for assessors to use excess fees of their offices to purchase equipment. Representative of the progress of the program have been the preparation and publication of the *Kentucky Property Assessment Administration Manual,* for which the department received the Achievement Award of the National Association of Assessing Officers; emphasis on installation of mechanical equipment in assessors' offices; and an orientation course, taught by members of the department and using the administration manual as a text, for the 32 newly elected county tax commissioners who took office December 2, 1957.[19]

The Oregon program is a combination of technical assistance to county assessors, strengthening by the state legislature of assessment jurisdiction and supervision, and statewide property reappraisal under direction of the State Tax Commission. Action by the legislature, particularly in 1955, was forthright in seeking remedies for chronic assessment ills. As noted in a preceding section, legislation was adopted that requires supervised, mandatory use of sales-ratio studies by county assessors, and provides for state assessment of large industries and all standing timber. Another law required that there be one certified appraiser in each county assessment office for every $30 million of true cash value of property assessed by the office, such certification being by the State Tax Commission on the basis of examination.

The methodical reassessment program and the State Tax Commission's efforts to make it the basis for permanently better assessment administration throughout the state are the main key to how successful the outcome of the over-all program will be. The reassessment program, initiated in 1951 and 39 per cent completed at the end of 1956, is scheduled for completion in 1961. As it has progressed it has disclosed gross inequities in assessment—producing orchards assessed at the value of bare land, homes that have never been on the tax roll, timber assessments ranging from 0.8 per cent to 1523.8 per cent of full value, and entire plants that have escaped their share of taxes; but as Tax Commissioner Stewart states, "there is much greater good that comes from the less sensational, but more significant, adjustments made in properties that have been on the roll, but whose value may be upped or lowered by smaller amounts."[20] Also brought to light have been the very inadequate tools with which many assessors work. According to the Tax Commission, "nearly all counties have lacked adequate records and maps for the appraisers. The absence of reliable means to locate, identify, and record the property has plagued the reappraisal program since its beginning."[21]

The commission's clear understanding that a thorough reappraisal is only a beginning of the job is encouraging for the future. "Soon after the advent of the reappraisal program," the commission has declared, "it became apparent that reappraisal alone was not a 'cure-all' for assessment ailments. Rather it was more analogous to emergency 'first-aid,' while a much broader and more intense equalization and maintenance program was needed to accomplish the desired results."[22] The Valuation Division set out, therefore, "to eliminate many of the inequities that were immune to the curative powers of reappraisal" by issuing rules and regulations "calculated to bring

[19] This summary is based mainly on James W. Martin, *Progress in Assessment Administration; A Case Study* (Chicago: National Association of Assessing Officers, 1955), 19 pp. (Assessment Information Service Information Report No. 1); and *Annual Reports* of the Commonwealth of Kentucky Department of Revenue.

[20] Oregon. Tax Commission, *23rd Biennial Report, 1954-1956, op. cit.,* p. 7.

[21] *Ibid.,* p. 6.

[22] *Ibid.,* p. 2-3.

about a much greater degree of uniformity in assessment practices" and by seeking "a substantial improvement in the quality and quantity of appraisal personnel at the county level."[23] That these efforts have been backed by strong legislation has already been noted.

Throughout the foregoing illustrations of constructive action taken to place assessment administration on a sound and equitable basis, it has been evident that great improvement is feasible, but only with skillful, courageous, and persistent effort and enlightened public support. It is evident, also, from the findings of the 1957 Census of Governments, that great improvement in assessment administration is needed to save the general property tax.

The property tax is far from being an ideal tax, and few tax theorists would claim that it is even a very good tax. It is not clearly a benefit tax, it is not based on ability to pay, and it tends to operate as a regressive tax. But it has behind it a tradition of great usefulness to local government, it has tremendous going-concern value, and it has qualities, not possessed by most other sources of revenue, that are exceedingly important for the financial stability and autonomy of local government.

The property tax is sometimes called the most inefficiently administered tax in the United States. It would be more fair to say that it has the most uneven quality of administration—because it is handled reasonably well in some jurisdictions. Given competent administration, it could be made more productive, more reliable, and less distasteful to the taxpayer. In fact, the best means of saving the property tax would be to make it more respectable by good management.

[23] *Ibid.*, p. 3.

APPENDIX

TABLE A

TOTAL AND PER CAPITA PROPERTY TAX REVENUE OF STATE AND LOCAL GOVERNMENTS, AND REVENUE FROM ALL AND FROM GENERAL PROPERTY TAXES AS A PERCENTAGE OF ALL TAX REVENUE, BY STATE, 1957

State	Amounts (in thousands of dollars)						Per Capita Amounts		Revenue from All Property Taxes (General and Special) as a Per Cent of Total Tax Revenue			Revenue from General Property Tax as Per Cent of All Tax Revenue of Local Governments
	Revenue from All Property Taxes (General and Special)			Revenue from General Property Tax								
	Total	State	Local Governments	Total	State	Local Governments	All Property Taxes	General Property Tax	State and Local Governments	State	Local Governments	
United States, total	12,864,130	479,150	12,384,980	12,442,579	211,546	12,231,033	75.54	73.07	44.6	3.3	86.7	85.6
Alabama	64,653	11,366	53,287	64,653	11,366	53,287	20.45	20.45	20.2	4.9	59.0	59.0
Arizona	84,881	14,711	70,170	77,203	12,491	64,712	78.74	71.62	46.4	13.7	92.3	85.1
Arkansas	47,254	314	46,940	47,013	73	46,940	26.55	26.41	26.5	0.3	88.0	88.0
California	1,563,750	107,653	1,456,097	1,451,659	...	1,451,659	112.67	104.59	47.2	6.6	87.0	86.7
Colorado	159,606	12,049	147,557	149,531	10,878	138,653	95.97	89.92	50.8	7.9	91.6	86.1
Connecticut	231,087	13	231,074	231,074	...	231,074	101.85	101.84	50.0	[a]	98.6	98.6
Delaware	14,077	750	13,327	14,077	750	13,327	32.44	32.44	23.9	1.7	94.6	94.6
District of Columbia	52,766	...	52,766	52,766	...	52,766	64.35	64.35	36.8	...	36.8	36.8
Florida	236,223	7,426	228,797	228,978	181	228,797	56.12	54.40	35.4	2.0	78.6	78.6
Georgia	136,233	928	135,305	133,538	915	132,623	36.13	35.41	29.0	0.3	87.0	85.3
Idaho	50,354	2,389	47,965	50,336	2,371	47,965	78.07	78.04	50.2	4.7	96.7	96.7
Illinois	895,736	697	895,039	895,083	44	895,039	92.35	92.29	51.7	0.1	86.0	86.0
Indiana	350,725	16,500	334,225	342,284	10,165	332,119	77.82	75.94	54.9	5.5	98.2	97.6
Iowa	239,164	3,792	235,372	235,512	3,640	231,872	85.94	84.63	48.8	1.5	97.4	95.9
Kansas	213,791	10,529	203,262	209,594	9,182	200,412	101.81	99.81	58.0	6.7	96.5	95.2
Kentucky	117,981	15,446	102,535	106,181	4,778	101,403	38.77	34.89	36.3	7.7	82.8	81.9

Louisiana	108,520	12,155	96,365	108,520	12,155	96,365	35.39	35.39	21.8	3.3	76.9	76.9
Maine	70,345	1,420	68,925	65,349	1,135	64,214	74.91	69.59	50.0	2.0	98.3	91.6
Maryland	196,077	9,111	186,966	194,027	9,061	184,966	67.73	67.02	42.5	3.6	88.8	87.8
Massachusetts	590,255	230	590,025	538,206	...	538,206	122.28	111.50	58.0	0.1	97.6	89.1
Michigan	644,132	33,671	610,461	610,461	...	610,461	83.60	79.23	46.1	4.4	97.7	97.7
Minnesota	310,625	14,942	295,683	310,383	14,700	295,683	93.62	93.55	51.8	5.1	96.2	96.2
Mississippi	64,428	3,532	60,896	64,428	3,532	60,896	29.75	29.75	27.5	2.2	82.5	82.5
Missouri	245,703	10,140	235,563	240,243	4,680	235,563	57.98	56.69	44.4	3.8	82.0	82.0
Montana	73,469	4,973	68,496	73,469	4,973	68,496	109.49	109.49	58.3	9.4	93.4	93.4
Nebraska	140,751	23,828	116,923	137,891	23,156	114,735	97.95	95.96	70.0	32.3	91.6	89.9
Nevada	21,747	2,185	19,562	21,747	2,185	19,562	83.00	83.00	36.1	6.2	78.3	78.3
New Hampshire	54,674	2,013	52,661	49,940	6	49,934	95.42	87.16	62.8	6.1	97.8	92.8
New Jersey	634,254	2,765	631,489	628,599	...	628,599	112.92	111.91	64.0	1.0	89.0	88.5
New Mexico	29,954	6,487	23,467	29,954	6,487	23,467	36.84	36.84	23.4	6.7	75.7	75.7
New York	1,775,352	2,803	1,772,549	1,775,352	2,803	1,772,549	109.94	109.94	47.7	0.2	77.6	77.6
North Carolina	134,816	8,309	126,507	126,507	...	126,507	30.15	28.29	26.8	2.2	94.8	94.8
North Dakota	56,920	2,623	54,297	56,866	2,569	54,297	88.25	88.16	52.8	5.1	96.9	96.9
Ohio	673,861	26,921	646,940	623,682	4,642	619,040	73.20	67.75	48.0	4.0	88.9	85.1
Oklahoma	105,218	1	105,217	101,068	1	101,067	46.62	44.78	30.4	[a]	95.0	91.2
Oregon	148,288	18	148,270	148,270	...	148,270	85.08	85.07	42.4	[a]	95.3	95.3
Pennsylvania	592,895	1,506	591,389	570,889	...	570,889	53.85	51.85	33.4	0.2	74.7	72.1
Rhode Island	65,563	...	65,563	63,963	...	63,963	76.50	74.64	50.4	...	97.0	94.7
South Carolina	56,567	889	55,678	56,567	889	55,678	23.89	23.89	23.0	0.5	90.7	90.7
South Dakota	65,599	628	64,971	64,939	451	64,488	94.66	93.71	58.2	1.5	92.6	91.9
Tennessee	116,824	10	116,814	116,824	10	116,814	33.93	33.93	28.9	[a]	86.3	86.3
Texas	581,041	32,407	548,634	581,041	32,407	548,634	63.33	63.33	46.2	4.9	91.4	91.4
Utah	59,915	2,671	57,244	59,915	2,671	57,244	71.33	71.33	43.8	3.5	95.4	95.4
Vermont	29,173	352	28,821	28,850	29	28,821	78.85	77.97	45.0	1.0	96.2	96.2
Virginia	152,677	14,126	138,551	138,551	...	138,551	39.88	36.19	31.1	4.5	78.9	78.9
Washington	152,164	22,984	129,180	136,195	7,015	129,180	55.84	49.98	29.6	6.5	81.2	81.2
West Virginia	55,873	292	55,581	55,873	292	55,581	28.46	28.46	25.4	0.2	85.4	85.4
Wisconsin	366,997	24,560	342,437	345,449	3,012	342,437	95.05	89.47	51.8	6.9	97.0	97.0
Wyoming	31,172	6,035	25,137	29,079	5,851	23,228	98.33	91.73	51.4	18.0	92.6	85.6

Source: U.S. Bureau of the Census, *Taxable Property Values in the United States*. 1959. (1957 Census of Governments, Vol. V), p. 21.
[a] Less than 0.05 per cent.

Table B

Gross assessed value of property, and amount and per cent of assessed value of property subject to local general property taxation, by class of property, by state, 1956

State	Gross Assessed Value (Before Exemptions)	Assessed Value Subject to Tax, after Deduction of Exemptions (amounts in millions of dollars)								Per Cent of Assessed Value Subject to Tax						
			State-Assessed Property				Locally-Assessed Property			State-Assessed Property				Locally-Assessed Property		
		Total	Total	Railroads[a]	Other Public Utilities[a]	Other	Total	Real	Personal	Total	Railroads	Other Public Utilities	Other	Total	Real	Personal
United States, total	280,492	272,444	22,459	6,546	13,354	2,558	249,986	202,798	47,188	100.0	2.4	4.9	0.9	91.8	74.4	17.4
Alabama	2,260	2,260	372	128	244	...	1,888	1,291	597	100.0	5.7	10.8	...	83.5	57.1	26.4
Arizona	1,330	1,239	465	113	46	305[b]	775	505	269	100.0	9.1	3.7	24.6	62.5	40.7	21.7
Arkansas	934	934	211	62	149	...	723	466	257	100.0	6.7	16.0	...	77.4	49.9	27.5
California	22,686	21,819	2,855	406	2,449	...	18,964	15,504	3,460	100.0	1.9	11.2	...	86.9	71.1	15.9
Colorado	3,131	3,068	347	136	211	...	2,721	2,126	595	100.0	4.4	6.9	...	88.7	69.3	19.4
Connecticut	6,848	6,634	...	...	...	...	6,634	4,900	1,734	100.0	...	...	...	100.0	73.9	26.1
Delaware	928	928	...	...	...	...	928	928	...	100.0	...	...	...	100.0	100.0	...
District of Columbia	2,332	2,332	...	...	...	...	2,332	1,949	384	100.0	...	...	...	100.0	83.5	16.5
Florida	6,918	4,530	134	131	3	...	4,396	3,490	906	100.0	2.9	0.1	...	97.0	77.0	20.0
Georgia	3,099	2,338	344	101	243	...	1,994	1,139	855	100.0	4.3	10.4	...	85.3	48.7	36.6
Idaho	608	603	148	64	85	...	454	348	106	100.0	10.5	14.1	...	75.4	57.7	17.7
Illinois	28,609	28,609	1,559	1,098	9	451[b]	27,051	21,600	5,451	100.0	3.8	[c]	1.6	94.6	75.5	19.0
Indiana	7,453	7,029	1,026	325	701	...	6,003	3,719	2,284	100.0	4.6	10.0	...	85.4	52.9	32.5
Iowa	4,717	4,607	475	124	351	...	4,133	3,446	687	100.0	2.7	7.6	...	89.7	74.8	14.9
Kansas	4,290	4,177	766	283	484	...	3,411	2,282	1,129	100.0	6.8	11.6	...	81.7	54.6	27.0
Kentucky	3,618	3,618	884	270	400	215[b]	2,734	2,295	439	100.0	7.5	11.0	5.9	75.6	63.4	12.1
Louisiana	2,937	2,341	597	108	489	...	1,744	1,079	665	100.0	4.6	20.9	...	74.5	46.1	28.4
Maine	1,159	1,147	...	...	...	...	1,147	915	231	100.0	...	...	...	100.0	79.8	20.2
Maryland	6,719	6,719	1,288	73	648	567[b]	5,431	5,222	209	100.0	1.1	9.6	8.4	80.8	77.7	3.1
Massachusetts	8,590	8,590	...	...	...	...	8,590	7,823	767	100.0	...	...	...	100.0	91.1	8.9

Michigan	14,551	14,551	...	...	...	...	14,551	10,102	4,429	100.0	...	...	...	...	...	...
Minnesota	2,009	2,009	19	...	19	...	1,990	1,590	401	100.0	...	0.9	...	99.1	79.1	19.9
Mississippi	1,296	1,006	291	71	220	...	715	379	336	100.0	7.1	21.8	...	71.1	37.7	33.4
Missouri	6,837	6,837	704	237	467	...	6,133	4,618	1,516	100.0	3.5	6.8	...	89.7	67.5	22.2
Montana	619	619	147	67	42	38[b]	472	272	200	100.0	10.8	6.8	6.1	76.3	44.0	32.3
Nebraska	2,956	2,956	142	139	4	...	2,813	2,112	701	100.0	4.7	0.1	...	95.2	71.5	23.7
Nevada	620	585	154	71	43	40[b]	431	326	105	100.0	12.1	7.3	6.8	73.7	55.8	18.0
New Hampshire	1,021	988	...	...	...	...	988	893	95	100.0	...	...	...	100.0	90.4	9.6
New Jersey	7,609	7,349	175	175	...	...	7,175	6,224	951	100.0	2.4	...	...	97.6	84.7	12.9
New Mexico	1,045	938	482	84	158	241[b]	456	388	68	100.0	8.9	16.8	25.6	48.6	41.4	7.2
New York	36,219	35,287	1,556	150	1,406	...	33,730	33,730	...	100.0	0.4	4.0	...	95.6	95.6	...
North Carolina	6,696	6,479	282	146	117	19[b]	6,197	4,037	2,160	100.0	2.2	1.8	0.3	95.6	62.3	33.3
North Dakota	640	640	94	61	34	...	546	403	143	100.0	9.5	5.3	...	85.3	62.9	22.4
Ohio	22,071	22,071	2,797	773	2,024	[d]	19,274	14,150	5,124	100.0	3.5	9.2	[d]	87.3	64.1	23.2
Oklahoma	2,428	2,008	501	145	357	...	1,506	1,077	430	100.0	7.2	17.8	...	75.0	53.6	21.4
Oregon	2,067	2,051	260	72	187	...	1,792	1,390	401	100.0	3.5	9.1	...	87.3	67.8	19.6
Pennsylvania	11,951	11,951	...	...	...	...	11,951	11,951	...	100.0	...	...	...	100.0	100.0	...
Rhode Island	2,260	2,192	...	...	...	...	2,192	1,712	480	100.0	...	...	...	100.0	78.1	21.9
South Carolina	936	936	236	29	84	123[b]	700	302	397	100.0	3.1	9.0	13.1	74.8	32.3	42.5
South Dakota	1,930	1,930	95	35	60	...	1,836	1,300	536	100.0	1.8	3.1	...	95.1	67.3	27.8
Tennessee	2,974	2,974	481	224	257	...	2,493	2,221	272	100.0	7.5	8.6	...	83.8	74.7	9.1
Texas	10,553	10,553	123	41	82	...	10,429	7,708	2,722	100.0	0.4	0.8	...	98.8	73.0	25.8
Utah	1,165	1,165	489	81	86	321[b]	676	483	193	100.0	7.0	7.4	27.6	58.0	41.5	16.6
Vermont	429	429	...	...	...	...	429	359	70	100.0	...	...	...	100.0	83.7	16.3
Virginia	5,024	5,024	510	...	510	...	4,514	3,501	1,014	100.0	...	10.1	...	89.9	69.7	20.2
Washington	2,688	2,678	233	95	134	4	2,445	1,884	561	100.0	3.5	5.0	0.2	91.3	70.4	20.9
West Virginia	3,401	3,401	823	341	481	...	2,578	1,341	1,237	100.0	10.0	14.2	...	75.8	39.4	36.3
Wisconsin	8,548	8,548	...	...	...	...	8,548	7,064	1,484	100.0	...	...	...	100.0	82.6	17.4
Wyoming	801	784	392	90	69	234[b]	391	254	138	100.0	11.4	8.8	29.8	50.0	32.4	17.6

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States.* 1959. (1957 Census of Governments, Vol. V), pp. 22, 23.

Note: Because of rounding, detail may not add to total.

[a] Amounts shown are only for types of property subject to state assessment, rather than representing valuations that comprise all railroad or utility property.

[b] Consisting of particular property types as follows: Arizona and Utah, mining property; Illinois, capital stock of domestic corporations; Kentucky, distilled spirits in bonded warehouses; Maryland, tangible personal property of corporations ($545 million) and distilled spirits ($22 million); Montana, proceeds of mines; Nevada, net proceeds of mines ($35 million) and bank stock ($5 million); New Mexico, oil- and gas-producing property ($134 million), mining property ($97 million), and shares of bank and trust companies ($9 million); North Carolina, bank shares; South Carolina, mostly textile and other manufacturing property ($121 million); and Wyoming, mineral-producing properties.

[c] Less than 0.05 per cent.

[d] State-assessed personal property of corporations included with amount of locally assessed personal property.

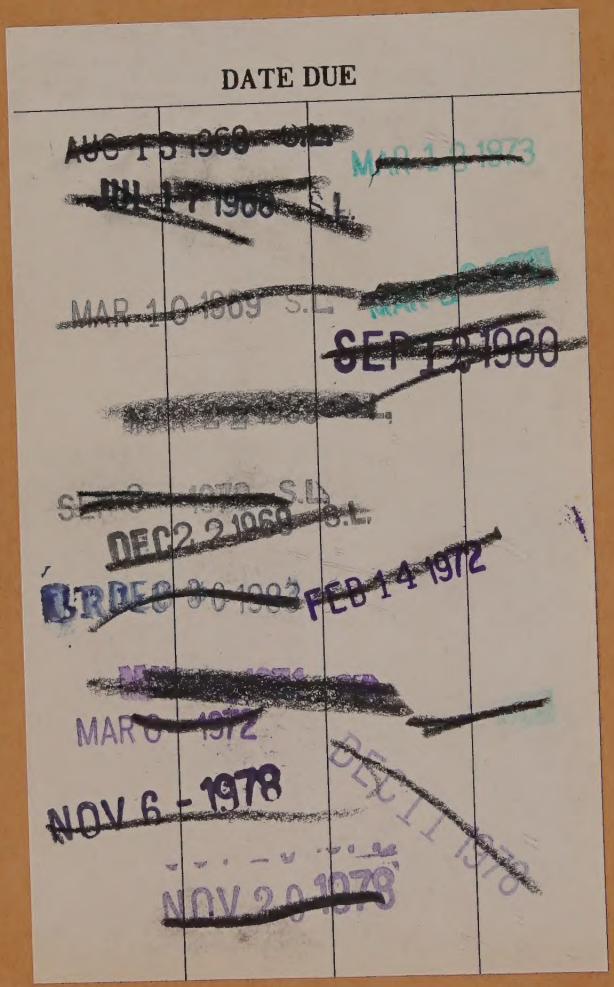
TABLE C

ALTERNATIVE SUMMARY ASSESSMENT RATIOS AND RELATED ESTIMATES OF THE MARKET VALUE OF LOCALLY ASSESSED TAXABLE REAL PROPERTY, AS INDICATED BY MEASURABLE SALES DURING A 6-MONTH PERIOD, BY STATE, 1956

State	*Ratios of Assessed Value to Sales Price Indicated by Measurable Sales (per cent)*					*Estimated Market Value (in billions of dollars) of Locally-Assessed Taxable Real Property in 1956, as Indicated by—*				
	(A) Simple Sales-Based Average	*(B) Geographically Weighted Average*	*(C) Average Weighted by Type of Property*	*(D) Average Weighted by Assessed Value-Size of Property*	*(E) Average Weighted by Type and Size of Property*	*(A) Simple Sales-Based Average Assessment Ratio*	*(B) Geographically Weighted Average Assessment Ratio*	*(C) Average Assessment Ratio Weighted by Type of Property*	*(D) Average Assessment Ratio Weighted by Assessed Value-Size of Property*	*(E) Average Assessment Ratio Weighted by Type and Size of Property*
Continental United States	30.0	29.2	29.9	31.6	30.4	698.1	717.6	701.1	664.5	689.9
Alabama	19.1	18.8	17.8	19.1	18.2	6.8	6.9	7.2	6.8	7.1
Arizona	15.8	14.8	14.6	14.9	14.6	3.5	3.7	3.8	3.7	3.8
Arkansas	10.0	9.7	9.4	10.0	9.4	4.7	4.8	5.0	4.6	5.0
California	18.8	18.6	18.1	20.3	19.0	86.2	87.2	89.6	79.7	85.2
Colorado	26.4	24.7	25.4	26.9	25.5	8.0	8.6	8.4	7.9	8.3
Connecticut	43.9	43.5	45.2	46.3	46.7	11.5	11.6	11.2	10.9	10.8
Delaware	48.6	47.7	46.1	48.6	46.2	1.9	1.9	2.0	1.9	2.0
District of Columbia	48.6	xxx	48.8	51.9	50.7	4.0	xxx	4.0	3.8	3.8
Florida	29.8	28.8	30.1	30.2	29.8	19.7	20.4	19.5	19.5	19.7
Georgia	22.3	21.6	21.8	22.8	21.6	8.0	8.3	8.2	7.9	8.3
Idaho	11.2	11.1	10.1	11.4	10.1	3.2	3.2	3.5	3.1	3.5
Illinois	41.8	41.0	44.3	45.5	45.7	51.7	52.6	48.8	47.5	47.2
Indiana	21.9	21.5	21.1	23.1	21.2	18.8	19.1	19.5	17.8	19.4
Iowa	23.2	24.3	25.2	23.6	23.3	15.2	14.5	14.0	15.0	15.2
Kansas	21.0	22.4	23.6	22.5	23.6	10.9	10.2	9.7	10.2	9.6

Maine	35.1	33.2	35.9	36.4	35.8	2.6	2.8	2.6	2.5	2.6
Maryland	50.7	48.8	48.9	48.6	48.4	10.3	10.7	10.7	10.8	10.8
Massachusetts	42.8	42.5	44.4	44.6	44.2	18.3	18.4	17.6	17.6	17.7
Michigan	29.7	30.9	30.3	31.5	31.5	34.0	32.7	33.3	32.0	32.0
Minnesota	11.7	11.4	13.0	12.8	12.9	13.6	13.9	12.2	12.4	12.3
Mississippi	17.1	15.8	16.4	17.0	16.2	3.9	4.2	4.1	3.9	4.1
Missouri	27.5	27.8	28.0	29.3	29.4	16.8	16.6	16.5	15.7	15.7
Montana	8.5	8.1	8.0	9.0	7.9	3.2	3.4	3.4	3.0	3.4
Nebraska	28.9	29.6	29.2	29.8	29.3	7.3	7.1	7.2	7.1	7.2
Nevada	23.2	23.2	23.3	23.8	23.3	1.5	1.5	1.5	1.5	1.5
New Hampshire	40.4	39.8	41.0	41.9	40.6	2.3	2.3	2.2	2.2	2.3
New Jersey	26.0	25.4	27.7	27.6	27.5	24.4	25.0	23.0	23.0	23.1
New Mexico	18.3	17.7	17.1	18.2	16.7	2.5	2.6	2.7	2.5	2.7
New York	52.8	50.7	54.5	56.2	55.8	65.7	68.4	63.6	61.7	62.1
North Carolina	35.1	33.9	31.7	37.6	33.1	11.5	11.9	12.7	10.7	12.2
North Dakota	14.8	14.9	15.8	13.6	14.8	2.7	2.7	2.5	2.9	2.7
Ohio	36.0	35.2	35.6	37.1	36.0	39.4	40.2	39.7	38.1	39.3
Oklahoma	19.7	18.9	19.0	20.2	19.2	7.3	7.6	7.6	7.1	7.5
Oregon	18.9	18.4	18.3	19.6	18.5	7.4	7.6	7.7	7.2	7.6
Pennsylvania	32.3	31.5	32.4	34.1	32.5	37.0	37.9	36.9	35.1	36.8
Rhode Island	64.2	63.1	66.8	67.1	66.3	2.7	2.8	2.6	2.6	2.6
South Carolina	6.5	6.4	6.8	7.2	7.2	4.6	4.7	4.4	4.2	4.2
South Dakota	40.2	41.0	43.1	40.2	43.5	3.2	3.2	3.0	3.0	3.0
Tennessee	28.4	26.1	27.9	27.9	26.9	7.8	8.5	8.0	8.0	8.3
Texas	16.4	14.2	14.4	17.2	14.7	46.8	54.2	53.5	44.7	52.4
Utah	14.7	14.8	14.2	15.0	14.7	3.3	3.3	3.4	3.2	3.3
Vermont	29.2	28.5	29.7	29.9	30.1	1.2	1.3	1.2	1.2	1.2
Virginia	27.4	26.1	26.8	27.4	26.2	12.8	13.4	13.1	12.8	13.4
Washington	15.7	14.9	16.0	16.7	16.6	12.0	12.6	11.8	11.3	11.4
West Virginia	29.5	27.5	30.4	29.9	30.0	4.6	4.9	4.4	4.5	4.5
Wisconsin	45.6	44.1	47.4	48.1	48.0	15.5	16.0	14.9	14.7	14.7
Wyoming	19.3	19.4	17.7	19.7	17.8	1.4	1.4	1.5	1.3	1.5

Source: U. S. Bureau of the Census, *Taxable Property Values in the United States*. 1959. (1957 Census of Governments, Vol. V), p. 81.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